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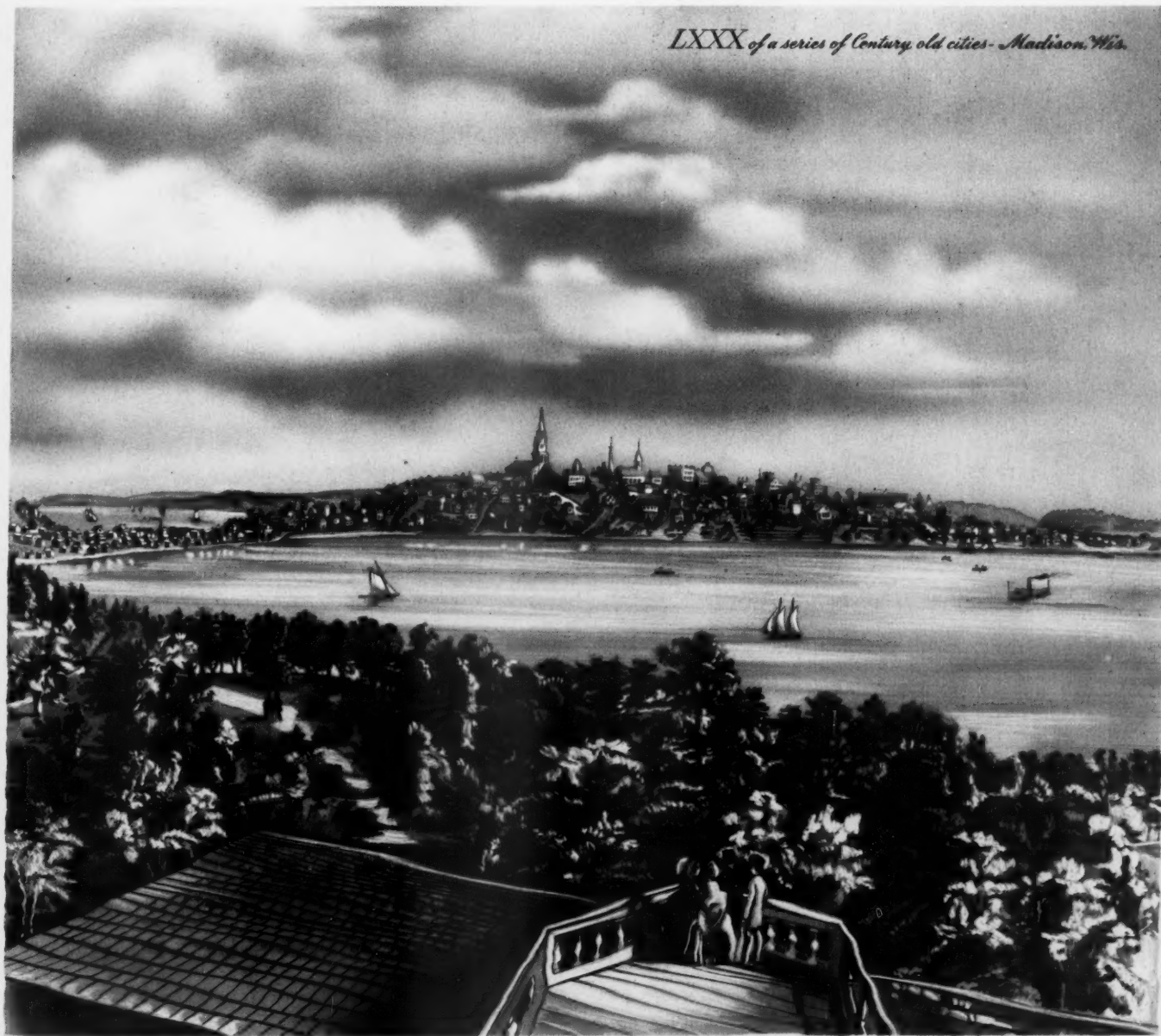
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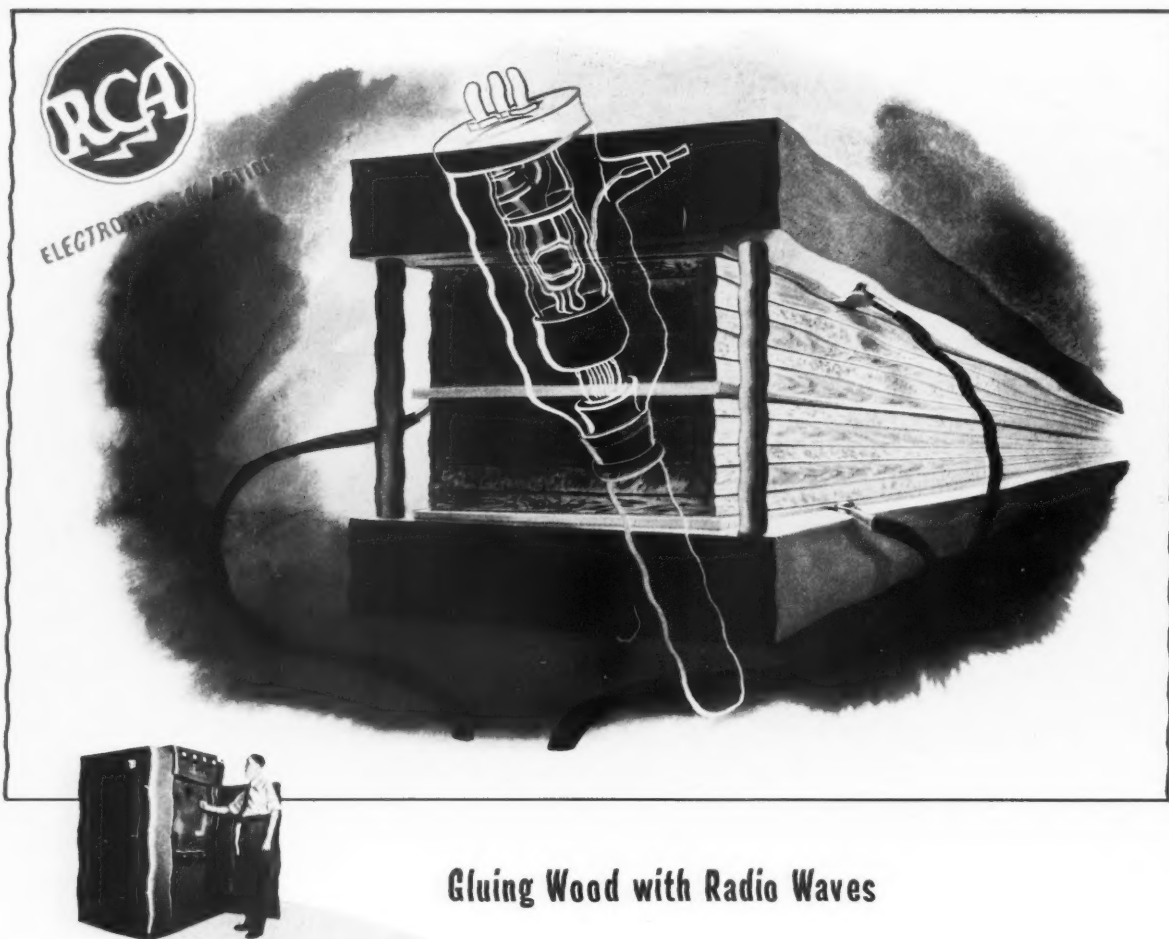
Thirty five cents

November 1943

LXXX of a series of Century old cities - Madison, Wis.



"What Does Freedom Mean?" by Nicholas Murray Butler "Wholesale Trade in a War Economy," by Roy A. Foulke Business Conditions Summarized



Gluings Wood with Radio Waves

GLUING wood with synthetic resin glues used to be a slow process because it took so long for the glue to "set." Aircraft and other wartime needs greatly accelerated the use of these glues—thereby sharpening demand for shortening the setting time.

Speedier gluing means faster heating of the glue lines to drive out the moisture and hasten chemical reactions. Wood, being an excellent insulator, prevents the inward flow of heat from hot platens at anything but a maddeningly slow rate. Really rapid heating therefore demands a method whereby heat is "born" right inside the wood.

That is exactly what electronics makes

possible. Radio frequency power unleashed right inside the wood is instantaneously converted into heat and causes an almost phenomenal speeding up of the glue-setting process.

The manufacture of "compreg" — a highly compressed plastic-impregnated wood product now used extensively for airplane propellers — too has been speeded up remarkably by such electronically generated heat. Production time has been cut as much as 60 per cent over old methods—making it possible for expensive equipment to turn out proportionately more of badly needed products.

Radio frequency power for setting wood glues offers many attractive possi-

bilities. Yet it is only one of many manufacturing processes involving a heat cycle for which RCA electronic heating offers important advantages. Moreover, all such applications collectively are but one phase of electronics—the art of harnessing electrons to the service of man. Bear in mind, too, that every electronic device of every kind depends basically on electron tubes. And that RCA is the fountain-head of modern electron tube development.

TUNE IN "WHAT'S NEW?"

Radio Corporation of America's great new show, Saturday nights, 7 to 8, Eastern War Time, Blue Network.

A new booklet—"RCA ELECTRONICS IN INDUSTRY"—shows some of the ways RCA is prepared to help put electronics to work. It may suggest applications important to your business. Free on request. Please use business letterhead when writing. Address—Dept. 68-4E, RCA, Industrial Division, Radio Corporation of America, Camden, New Jersey.



RADIO CORPORATION OF AMERICA



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Editor, DUN'S REVIEW

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The Cover

Madison, State capital and seat of the University of Wisconsin, contained only a log cabin when it was selected as the seat of government in 1836 following a lengthy and bitter debate. Today, the city, which was named after former President James Madison, is an important medical center.

A trading post was established on Lake Mendota as early as 1820, but white settlement did not begin on the site of Madison until it had been selected by the territorial legislature as the capital. While building was under way in 1837, the village, with a population of 626, was not incorporated until 1846 while the city was chartered in 1856. The community is situated on the isthmus between Lakes Mendota and Monona.

Contained in the city's seven libraries—State, university, and municipal—are more than a million volumes. The community in 1940 had a population of 67,447.

Its industries, as of 1939 numbered 117, employing 3,366 wage earners and producing goods valued at \$38,823,041. These include the manufacture of dry cell batteries, packed meats, machine tools, farm machinery, hospital equipment, automobile parts, tin containers, and bottle caps. A brewery, railroad shops, and sandstone quarries are amongst the other industries.

The 147 wholesale establishments, whose business in 1939 was 50.1 per cent greater than in 1935, did a volume of \$33,850,000 in 1939. In that year sales of Madison's 1,068 retail stores totalled \$44,329,000 and of the 463 service establishments, \$3,648,000.

The cover picture, furnished through the courtesy of the University of Wisconsin, depicts Madison in 1855 and is taken from the Water Cure on the south side of Lake Monona. Lake Monona appears in the foreground and Lake Mendota in the background at both the left and right of the view. Overlooking Lake Mendota at the extreme left are the buildings of the University of Wisconsin. The building with the dome (just right of the center) is the State Capitol.



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Free People are Better Builders

When certain pirates started picking off what they wanted in China, Africa, Europe and the Pacific—before coming at us—they figured that the U. S. A. couldn't do much about it. For how could we transport armed forces and supplies without ships! We didn't have enough ships to handle even 30% of our peacetime ocean traffic!

But in twenty months America has broken all shipbuilding records, thanks to fighting workers in ship-

yards and factories. We're beginning to interfere with Adolf-Tojo plans.

Continued success now depends on our having enough men and women to keep up the pace in America's war plants . . . and getting officers and crews for the new ships. If you hold a license as a deck officer or engineer we urge you to go back to sea. Others, living near one of the six Wickwire Spencer factories, are invited to come and help produce Wickwire Rope for ship's rigging, and other materials for Victory.

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STEEL COMPANY

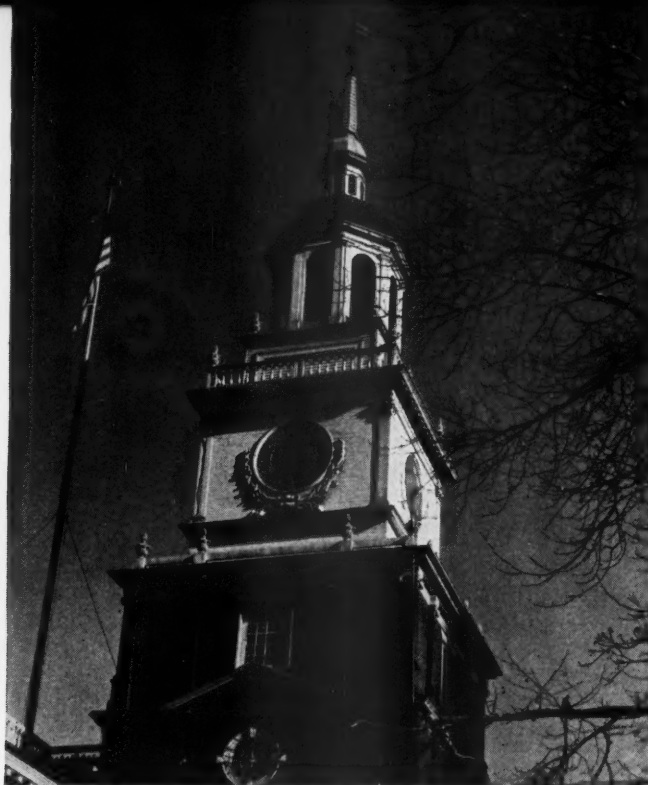
500 FIFTH AVENUE

NEW YORK (18), N. Y.



FAMOUS FOR QUALITY IN WIRE, WIRE ROPE, SPRINGS, METAL CONVEYOR BELTS, INDUSTRIAL WIRE CLOTH, POULTRY NETTING, HARDWARE CLOTH, INSECT SCREEN CLOTH, ELECTRICALLY WELDED FABRIC FOR CONCRETE





INDEPENDENCE HALL TOWER, PHILADELPHIA—PHOTO BY PHILIP GENDREAU

THIS is one of a series of articles by leaders in various fields expressing their personal viewpoints regarding subjects of unusual interest or significance to business. It should be emphasized that the purpose of this series is to present diversified and representative opinions of men whose varied backgrounds and points of view have created decided, and often conflicting, convictions.

What Does Freedom Mean?

NICHOLAS MURRAY BUTLER

President, Columbia University

WHAT does freedom mean? Today this question is being asked in every part of the world. A most violent, widespread and exhausting war to destroy freedom and to prevent its restoration is now being waged on every continent and on every ocean. A determined effort on the part of the American people to preserve, to protect, and to strengthen the power of freedom is the ruling purpose and aspiration not only of our own people, but of all those who in any part of the world are in alliance with them.

It is, therefore, of commanding importance that we should clearly understand what freedom means, because it is for freedom that we are making the appalling sacrifices which cost so much both in human life and in the earnings and savings of our people for generations. What then does freedom mean?

For some three hundred years in the sixteenth, seventeenth, and eighteenth centuries this question was asked and debated, first by philosophers, theologians, intellectual leaders, and statesmen and later by large numbers of people of

all classes throughout Europe and such part of the Americas as had then been settled. A chief obstacle to the development and establishment of freedom lay in the influence of the feudal system. This system had in its time performed an important service for Europe, but had outlived its usefulness and become the foundation for economic discrimination and unfairness, such as the steadily developing modern mind would not permit.

This explains the succession of revolutions in the seventeenth and eighteenth centuries. These were first those in Great Britain and then in the American colonies and in France. When these three great revolutions had been accomplished, the ruling question was how to define freedom in detail, how to establish it in respect to cooperative and governmental action and how to protect it from attack from without and from undermining from within. The peoples of Great Britain, of the American colonies, and of France then believed that, to all intents and purposes, they had accomplished these

aims. Of such vital importance did this matter seem to the people of the newly organized United States of America, that they did not even accept their own republican Federal Constitution as wholly adequate, but insisted upon adding to it its first ten amendments which constitute the Bill of Rights.

It did not occur to any of the leaders in these revolutions, particularly the American revolution, that the time would ever again come when the foundations of freedom itself would be once more attacked and its very existence threatened. Of course it was understood that interpretations of freedom might vary and that from time to time political, economic, and social differences would arise as to matters of detail. What never entered the minds of the founders of the American republic was the possibility that within one hundred and fifty years freedom, as a fundamental principle, would be denied and contested with the purpose of substituting for it a form of unrestricted dictatorship, the fierceness and cruelty of which make the feudal sys-

tem seem moderate indeed. Yet this is precisely what has happened. Since, therefore, we Americans are today sacrificing our lives and everything we possess in defense of freedom, we must reflect upon that word and come to see clearly what we mean by it and just what it involves.

Public attention throughout the world has been given to the latest and very important definition of freedom which was agreed upon by the President of the United States and the Prime Minister in the government of Great Britain and contained in a message to Congress on January 6, 1941. This now famous declaration, considered with the so-called Atlantic Charter, may well be the starting point of any present-day discussion of what freedom means. This statement says that freedom today presents itself in four phases. It declares that there must be freedom of speech and expression, freedom of worship, freedom from want, and freedom from fear. To these four freedoms, if the definition is to be complete, there must certainly be added a fifth—the freedom of individual enterprise.

All five of these aspects of freedom are either denied, restricted, or openly opposed by those forces of reaction and cruelty which have forced the Allied powers to defend themselves in this war. If civilization is to continue, this war must be won. The war having been won, foundations must be laid for the rebuilding of this broken and shattered world in terms of true and lasting freedom. All five of these forms of freedom relate not only to the individual man but to the economic, the social, and the political organization of all free countries in the world, whether large or small.

Rights of Free Speech

Freedom of speech, which includes of course freedom of the press, is generally well understood. It means that no man is to be deprived of the right to express his opinions or his judgment, however unpopular these may be, or however widely they may differ from those of other men. It does not mean the right to teach immorality, disorder, or crime. He who cannot refrain from doing any one of these things in the exercise of his right to free speech is not on that moral plane which all free men must reach, in order to be really free and to understand their freedom. It is often difficult not to resent the use of free speech because of much that is

The Author

THE MANY interests of Dr. Nicholas Murray Butler have made him a world-wide figure. An educator for nearly half a century and long president of Columbia University, he is the author of numerous books and many essays and addresses.

His concern with the American Government and with international affairs has carried him far beyond the realm of education. He has been active in politics.

FRIEND of presidents and prime ministers as well as of leaders of science and letters throughout the world, Dr. Butler has crossed the Atlantic many times in connection with international matters. Honorary degrees have been conferred on him by universities throughout Europe and America. He divided the Nobel prize with Jane Addams in 1931.

HE presented this concept of the fifth freedom, freedom of individual enterprise, as his seventeenth annual address at the Parrish Memorial Art Museum, Southampton, Long Island, New York.

said and written, but it is far better to tolerate it than to attempt to suppress it. Out of the use of free speech should grow its constantly better use.

Freedom of worship has been indeed difficult to attain and even now is by no means established as widely or as completely as it should be. From the very beginnings of the history of the Western World, religious persecution has manifested itself, sometimes with great violence and over wide areas. Some of these forms of persecution, particularly that of the Jews, are racial as well as religious. That such persecution is cruel and heartless should go without saying. There has also been in the United States a persecution of members of the Roman Catholic Church, particularly those individuals who have become candidates for public office. This has been done by a shocking organization known as the Ku Klux Klan. That this organization has faded into the background during the last few years is welcome news indeed.

There remain minor forms of religious persecution, or what amounts to that, on the part of some of the various Protestant denominations. Frequently we have seen evidence that some members of these organizations are more concerned with their dislike and even hatred of those who differ from them as to church organization and form of religious worship than they are in the fundamental articles of their common faith.

The essentials of the Christian religion are to be found in the three most important documents which history records: the Ten Commandments, the Lord's Prayer, and the Apostles' Creed. He who accepts these and believes in them is a Christian, whatever may be his preference for form of worship or church organization. Religious freedom will not have been fully achieved until these fundamental facts and principles are realized and acted upon.

The Problem of Want

Freedom from want is a relatively new principle of social and economic life. It has been usual to allow those in need, however desperate, to depend solely upon private charity, or upon some form of public organization which took extraordinary cases of want under its care. Freedom from want involves, however, much more than this. It means that in a modern democratic state everyone young or old, strong or weak, should be made to feel that he will not be permitted to suffer from want, since to protect and to care for him are fundamental functions of any organized social order, based upon moral principles. As yet, we are only beginning to find a solution of the problem of want as it presents itself in the social order of today. Much thought is being given to this subject, and here and there some practical action is being taken. We have still, however, a long distance to go before a wise and sound and fair solution of the problem of want is arrived at. It may be presented by reason of old age, by reason of illness, of physical incapacity or incompetence, or by reason of circumstances over which an individual has no direct control. It is quite certain that this aspect of freedom will occupy the attention of men more and more in the near future—until the wise and practical solution of the problem has been found.

Freedom from fear means that there must be a way to protect the weak from

danger of attack and humiliation by the strong. This applies to individuals as well as to nations. He who has a powerful mind or a strong body or an influential economic position must not be permitted so to conduct himself that his weaker neighbor is in fear of discrimination or humiliation. There can be no satisfactory working world organization until every nation, however small, is made fully conscious of its independence and its freedom and protected in its exercise of that freedom. From one point of view this freedom is a question of morals. From another it is a question of mere brute force and its use against the weak.

The highest type of political organization which has yet been achieved, namely, the Federal Union of the United States, shows clearly how this may be accomplished. The small States of Rhode Island and Delaware are as safe and as self-governing as are the large States of New York, Texas, and California. Just this same relationship must exist in that world organization toward which we are so steadily moving. There will be a United States of

America, there will be a British Commonwealth of Nations, there will be a Russia, and there will be a China, but there will also be a Czechoslovakia, a Yugoslavia, and a Greece, and a Portugal, just as there will be on this side of the Atlantic a Paraguay, a Uruguay, and a Bolivia, all looking out upon the great area, resources, and population of a Brazil. This relationship, like so many others, rests fundamentally upon sound moral principles. Freedom from fear once assured will aid every nation in developing a prosperous, well educated and useful population.

Cornerstone of Freedom

We come now to the fifth freedom, freedom of individual enterprise, which is the most important of all. This fifth freedom is in reality the cornerstone of the foundation upon which the other four freedoms must rest. It recognizes that the individual human body, the individual human intellect, and the individual human soul are fundamental and the moving and guiding forces in any form of true civilization. Making allowance for differences of heredity

and of environment, the life of every individual has its beginning in the cradle. Where will that life end? The answer will be found in the fact that every human being must himself give reply to this question, by the use which he is able to make of the years of his life whatever his environment or whatever his opportunities may be.

No individual must be looked upon as a member of a permanent class or group. He must be free to move about as he likes economically, socially, and politically. He must be free to make the most of all opportunities which are offered to him and to shape his life with all the intelligence which he possesses, with a view to advancing not only his own welfare but the interests of his fellow men and those of the civilization which he shares with them. It is to the people of these United States that this modern world may well look for commanding and convincing illustration of the meaning of this fifth freedom. The army private of today is the major general of tomorrow. He who begins his life as a manual worker or as a clerk may, as we well know, come to wield large influence and authority as an administrator, an organizer of men and of industry. This is the secret of true progress. Given the fifth freedom, then the other four freedoms take their place as part of the life of every free man.

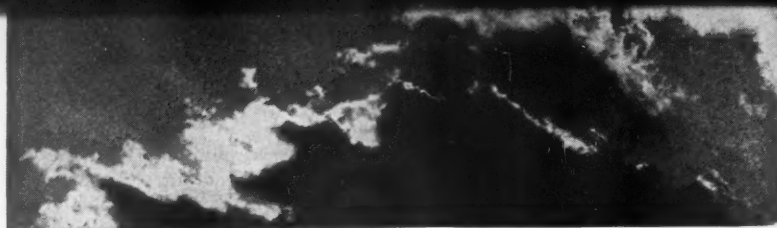
Most of what the free man does to advance himself in life is done in cooperation with his like-minded fellow men. The corporation in the field of industry, of finance, of education, or elsewhere has long been a most effective instrumentality in enabling individuals to cooperate in the public service. The man of small means cannot possibly take any part in the organization and development of industry or of finance save by associating himself with a group of other men through becoming a stockholder in a corporation whose purpose is of great public benefit. By holding shares in a well managed corporation the individual of small means will have opportunity to cooperate effectively in shaping and developing the economic life of the American people, particularly in the fields of production and transportation.

There is an insurmountable barrier between voluntary and compulsory cooperation with one's fellow men. The latter is inconsistent with the fifth freedom and violates both the principles

(Continued on page 24)

EMPIRE STATE BUILDING IN SILHOUETTE, NEW YORK—CHARLES PHELPS CUSHING





WHOLESALE TRADE IN A WAR ECONOMY

14 Financial Ratios for 24 Lines

THE broad changes which occurred during 1942 in the 14 important financial ratios for 24 wholesale lines are traced by Mr. Foulke in his annual report. He will report in December on ratios for 36 manufacturing lines. The figures for 12 retail trades appeared in the October number.



FRITZ MENLE

ROY A. FOULKE

Manager, Specialized Report Department
DUN & BRADSTREET, INC.

BROADER changes are reflected in the fourteen important ratios for twenty-four lines of wholesale trade, based on 1942 operations, than in any year since these ratios were first computed in 1931. These broad changes, five in number, are a general increase in net sales over the net sales in 1941, a liquidation in receivables, a shrinkage in investments in fixed assets, a decrease in inventories, and a decrease in current liabilities.

Of these five general trends, the one which is outstanding is the liquidation in receivables, as it is a uniform trend reflected in each of the twenty-four lines of wholesale trade. Second only to the liquidation in receivables is the smaller investment in fixed assets which is disclosed by twenty-three lines, while third is the decrease in inventories reflected in twenty lines, and fourth, a concurrent decrease in current liabilities in twenty of the twenty-four lines of wholesale distribution.

Increase in Net Sales—Sixteen of the wholesale divisions showed increased sales in 1941 and 1940. This upward trend was disclosed by the higher median ratios described as the "turnover of tangible net worth" and the "turnover of net working capital." The very same number of wholesale lines disclosed higher median turnovers of tangible net worth and of net working capital in 1942 when compared with the 1941 ratios. Thus, the upward trend which existed in 1941 was continued through 1942. This trend, however, was spotty as in eleven of the lines the trends in 1941 and 1942 were reversed.

Higher median turnovers of tangible net worth and of net working capital, for example, are shown in the 1942 ratios for five lines of activity which had shown a downward trend in the previous year. These five divisions of trade are the wholesalers of drugs and drug sundries, of fresh fruits and produce, of wines and liquors, of womenswear—

coats, suits, and dresses, and of woolen and worsted piece goods.

Lower median ratios of tangible net worth and of net working capital, on the other hand, are shown between the 1941 and 1942 figures by six lines which had taken an upward trend in 1941. These six divisions of trade are wholesalers of automobile parts and accessories, of coffee and tea, of electrical parts and supplies, of gasoline and lubricating oils, of paper, and of plumbing and heating supplies. Each of these wholesaling divisions were materially affected in their 1942 operations by the intensified demands for the production of war materials, equipment, and supplies.

The net sales of wholesalers of automobile parts and accessories, of electrical parts and supplies, and of plumbing and heating supplies were at record high points in 1941. With the cessation of the production of automobiles on February 11, 1942, and the conversion

14 IMPORTANT FINANCIAL RATIOS—24 WHOLESALE LINES—1942

LINE OF BUSINESS	Current Assets to Current Debt Times	Net Profits on Net Sales Per Cent	Net Profits on Tangible Net Worth Per Cent	Net Profits on Net Working Capital Per Cent	Turnover of Tangible Net Worth Times	Turnover of Net Working Capital Times	Average Account Collection Period Days	Net Sales to Inventory Times	Fixed Assets to Tangible Net Worth Per Cent	Current Debt to Tangible Net Worth Per Cent	Total Debt to Tangible Net Worth Per Cent	Inventory to Net Working Capital Per Cent	Inventory Covered by Current Debt Per Cent	Funded Debt to Net Working Capital Per Cent
Automobile Parts and Accessories (183)	5.38 3.44 2.55	6.43 3.17 1.56	21.48 12.19 6.92	30.93 17.46 7.93	4.84 3.54 2.39	6.40 4.83 3.46	23 31 37	8.0 6.0 4.6	4.6 10.1 20.5	18.0 31.3 51.2	32.9 44.9 68.8	53.6 74.7 93.9	35.4 55.6 81.9	...
Butter, Eggs, and Cheese (45)	4.31 2.34 1.78	2.72 0.97 0.25	14.94 7.38 3.43	20.48 10.38 5.05	14.92 8.93 6.08	22.73 16.37 8.46	10 15 23	35.0 20.9 12.5	3.1 12.2 32.9	25.0 48.5 92.4	52.5 102.1 133.3	32.5 66.6 107.9	74.3 102.0 190.5	13.8 41.3 85.8
Cigars, Cigarettes, and Tobacco (79)	2.33 1.78 1.46	1.36 0.71 0.37	17.40 8.40 3.87	27.29 11.71 5.86	24.41 18.70 13.62	40.15 25.19 17.85	13 18 27	38.2 26.2 21.4	2.7 11.1 13.9	50.5 94.7 129.4	57.1 98.3 137.4	64.6 92.0 116.7	104.0 146.7 193.9	7.2 13.1 21.3
Coffee and Tea (24)	6.60 3.70 2.18	2.94 1.30 0.27	8.34 4.67 0.81	15.94 7.27 2.12	6.28 2.91 2.68	7.68 5.03 3.05	24 28 53	16.4 12.4 7.9	5.4 15.1 41.4	14.1 28.7 44.3	...	33.9 58.8 88.4	41.9 59.4 87.3	...
Drugs, Drug Sundries (71)	4.65 3.01 2.25	4.52 1.91 1.31	20.73 9.16 7.47	25.93 11.31 8.17	6.64 4.39 3.71	8.68 5.11 3.82	17 30 46	9.1 6.7 5.2	2.5 6.1 15.1	23.3 43.1 69.9	39.3 74.8 116.4	54.5 75.7 103.2	36.4 60.8 83.2	5.0 20.7 22.1
Dry Goods (153)	4.29 2.83 2.18	3.24 2.07 1.35	17.99 11.88 7.05	22.95 13.19 8.90	6.40 4.65 3.52	7.06 5.18 4.08	32 45 56	10.8 8.6 6.3	0.7 4.1 4.7	21.6 48.3 72.0	...	43.9 61.4 83.5	50.6 82.8 123.0	...
Electrical Parts and Supplies (90)	4.60 3.38 2.46	5.48 2.77 1.87	26.40 12.82 6.71	29.90 14.06 7.65	5.79 4.03 2.74	6.63 5.04 3.17	19 31 42	11.1 7.1 5.2	2.2 6.9 9.6	23.3 36.7 57.1	23.4 63.2 72.6	42.0 56.3 74.1	43.4 80.1 129.4	11.7 66.6 84.4
Fruits and Produce, Fresh (35)	3.00 1.67 1.23	1.92 0.98 0.64	26.94 18.16 6.91	32.50 21.81 10.03	28.06 12.12 9.55	32.23 17.45 13.14	11 19 29	43.4 26.8 13.1	5.8 24.4 35.5	37.1 105.5 149.6	...	31.1 71.8 150.3	91.9 209.5 335.2	...
Furnishings, Men's (26)	4.28 4.79 3.35	6.11 3.45 2.00	26.44 13.17 7.72	27.06 16.02 8.98	4.49 3.83 2.42	5.39 4.29 2.79	35 46 56	10.2 6.6 4.3	1.4 3.2 25.1	6.6 20.3 38.2	...	32.8 56.2 69.9	18.9 47.8 82.8	...
Gasoline and Lubricating Oil (40)	2.87 2.22 1.57	3.65 1.54 0.16*	14.26 8.03 0.65*	40.38 15.83 1.82*	7.59 4.04 3.11	15.88 12.10 5.93	15 23 36	39.5 16.2 9.7	10.0 49.5 66.2	11.3 45.4 77.5	52.4 81.2 122.9	35.3 63.6 112.1	70.9 125.9 185.6	35.6 61.0 72.4
Groceries (261)	6.78 3.36 2.24	2.96 1.86 1.06	17.73 10.33 6.87	21.69 13.37 8.62	8.73 6.19 4.25	10.67 7.56 5.24	14 21 29	12.1 9.5 7.3	2.5 10.8 21.1	13.4 32.2 59.3	37.2 65.3 95.8	60.1 78.1 114.0	21.9 46.9 70.1	25.0 70.3 82.1
Hardware (163)	6.25 3.85 2.58	5.23 3.47 2.09	12.62 9.32 6.37	15.73 11.47 8.32	4.31 3.04 2.38	5.90 3.68 2.70	25 33 40	7.0 5.3 4.3	2.3 10.5 27.5	14.9 28.4 51.3	28.0 57.4 82.6	50.0 68.3 88.7	31.4 52.9 81.5	28.0 55.6 79.3
Hosiery (38)	8.53 4.18 2.74	7.61 4.52 2.61	30.89 17.35 11.79	35.32 19.74 14.29	5.46 3.07 2.18	5.66 3.81 2.38	32 41 46	9.5 6.8 5.0	0.6 1.2 2.9	11.8 30.7 49.2	...	40.4 57.1 87.0	25.7 49.7 85.3	...
Hosiery and Underwear (58)	4.23 3.71 2.65	6.81 2.90 1.48	26.60 13.68 8.70	29.50 17.60 9.30	5.72 4.00 3.06	7.61 4.90 3.61	32 40 53	9.8 8.1 6.2	0.7 2.2 4.3	13.1 30.7 52.8	...	40.0 63.9 89.9	32.5 62.0 81.5	...
Lumber (113)	7.79 3.50 2.18	3.52 2.43 0.89	13.86 8.50 5.34	27.35 13.66 8.17	10.46 3.72 2.09	13.24 6.39 2.97	31 39 67	16.9 6.5 3.8	1.8 15.6 20.3	11.9 27.6 57.0	18.8 34.8 79.1	23.6 50.1 73.5	35.5 77.7 162.7	42.4 70.3 86.2
Lumber and Building Material (59)	6.82 3.36 1.99	3.90 2.48 1.33	12.34 9.47 4.72	28.30 16.20 9.57	3.23 2.60 2.12	7.28 5.25 3.71	24 30 45	16.7 8.0 5.7	8.1 20.1 42.1	9.4 23.1 42.1	15.0 45.5 98.3	42.0 54.9 79.8	36.8 66.0 114.1	7.6 24.5 62.3
Meat and Poultry (47)	4.55 2.50 1.88	3.16 1.16 0.50	18.40 10.04 5.29	37.22 18.79 7.83	13.64 10.73 7.59	21.82 16.69 13.12	8 17 29	49.3 35.5 16.7	4.9 21.2 44.8	15.9 36.1 65.4	34.1 65.6 91.8	16.6 50.1 89.2	75.1 126.5 196.9	36.1 44.6 78.4
Paints and Varnishes (25)	8.35 3.83 2.27	6.80 1.85 0.04	15.44 8.06 0.12	17.82 9.27 0.24	3.56 2.87 1.68	4.52 4.44 2.02	15 50 91	8.3 4.6 4.0	4.3 26.7 37.7	7.4 25.4 40.1	...	46.4 67.6 96.3	23.1 50.8 67.9	...
Paper (117)	3.65 2.66 1.94	2.73 1.40 0.42	12.39 7.24 2.05	15.88 8.49 2.48	6.95 4.80 3.23	8.42 6.01 4.51	30 39 47	10.6 9.1 4.8	2.1 5.3 12.7	28.7 46.4 73.1	38.4 57.6 105.7	56.4 78.0 98.3	53.7 80.5 117.6	36.5 70.9 87.7
Plumbing and Heating Supplies (114)	8.56 3.93 2.70	3.86 2.04 1.30	14.24 7.04 3.74	18.00 8.35 3.55	4.91 3.25 2.18	6.17 4.42 2.64	27 32 41	9.8 6.4 4.4	2.9 16.6 31.2	9.6 25.3 45.6	24.0 46.8 92.4	41.8 60.1 87.4	25.1 53.9 85.9	36.7 67.2 77.0
Shoes, Men's and Women's (40)	9.30 4.70 2.95	6.74 3.11 1.17	22.32 8.97 5.08	24.11 13.10 6.42	5.12 4.00 2.87	5.88 4.25 2.90	32 49 66	12.0 7.5 6.0	0.4 6.1 9.4	8.8 22.2 47.2	...	31.0 45.1 81.7	32.3 63.2 83.4	...
Wines and Liquors (50)	3.09 1.70 1.40	2.49 2.14 1.13	21.80 12.53 8.63	27.76 17.19 10.06	10.26 6.30 3.70	11.93 8.03 4.58	19 33 47	10.0 6.4 4.0	2.9 8.9 16.7	42.1 110.9 204.5	...	71.2 112.4 170.9	65.5 103.6 155.7	...
Womenswear; Coats, Suits, and Dresses (32)	3.61 2.52 1.88	4.11 1.66 1.15	22.99 12.59 8.04	32.15 21.15 12.11	8.12 6.11 5.18	14.36 8.11 6.32	32 42 46	31.0 19.2 11.6	1.2 2.7 5.6	32.7 56.9 85.0	...	22.8 40.5 65.2	112.4 170.9 272.2	...
Woolen and Worsted Piece Goods (38)	4.22 2.36 1.58	4.60 3.06 1.59	27.90 19.93 9.27	33.90 21.95 9.35	11.19 6.23 4.23	12.33 6.87 4.41	25 46 67	11.4 8.3 6.5	0.4 1.3 1.8	29.5 70.6 134.2	...	56.3 80.3 128.1	53.6 89.0 143.9	...

DEFINITIONS ON FOLLOWING PAGE • Page 13

of practically all plants producing electrical parts and supplies, and plumbing and heating supplies, to the manufacture of critical items needed by the Army and the Navy, it is natural that in 1942 the turnovers of tangible net worth and net working capital of the wholesalers of these products would drop materially below the 1941 figures. The merchandise was not there for wholesale distribution in normal pre-war quantities.

With restrictions on the importation of coffee and tea, the net sales of wholesalers dropped in 1942. Rationing of gasoline, and initial reductions in the production of paper of all grades, materially affected the volume of the wholesale distributions in these two lines.

Of the other thirteen wholesale trades which comprise this annual study, eleven indicated increased net sales for both 1941 and 1942. Two lines, namely, wholesalers of hosiery and wholesalers

of lumber, however, showed decreased net sales for both 1941 and 1942. The median turnovers of the tangible net worth and net working capital of wholesalers of hosiery for 1942 were the lowest for the entire twelve-year spread for which these ratios are on record. With no silk and with only limited quantities of synthetic yarns available for the manufacture of hosiery, it is quite natural that net sales would decrease to a record low level.

Sales of lumber were first affected by limitation order L-41 of the War Production Board restricting non-essential construction and renovations. A more direct measure of control appeared in May 1942, with limitation order L-121 which prohibited the delivery of softwood construction lumber except to military or Government projects, or by the direction of the WPB. In August, order M-208 replaced L-121. Under this new order, all softwood lumber deliv-

(Continued on page 34)

DEFINITIONS FOR TABLE ON PRECEDING PAGE

† *COMPUTED only for those lines in which a reasonable number of concerns had outstanding long-term liabilities.*

* Loss.

THE RATIOS—The center figure for each ratio (in darker type) is the median or "average." The other two figures (in italics) are quartiles; for each ratio they indicate the upper and lower limits of the experiences of that half of the concerns whose ratios are nearest to the median. When any figures are listed in order according to their size, the median is the middle figure (same number of items from the top and the bottom) and the quartiles are the figures one-quarter and three-quarters down the list.

REPORTING CONCERNS—The number in parentheses after the name of the line of business is the number of concerns for which data were available.

COLLECTION PERIOD—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any) less reserves for bad debts, represents when compared with the annual net credit sales. **Formula**—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable by the average credit sales per day to obtain the average collection period.

CURRENT ASSETS—Total of cash, accounts, and notes receivable for the sale of merchandise in regular trade quarters, inventory, listed securities when carried not in excess of market, and United States Government securities.

CURRENT DEBT—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as reserves for taxes and reserves for contingencies set up for specific purposes, but does not include valuation reserves.

FIXED ASSETS—The sum of the depreciated book values of real estate, buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

FUNDED DEBT—Mortgages, bonds, debentures, gold notes, serial notes, or other obligations with maturity of over a year from statement date.

INVENTORY—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

NET PROFITS—Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; reserve for taxes; reduction in the value of inventory to cost or market, whichever lower; charge-offs for bad debts; all miscellaneous reserves and adjustments; but before dividends or withdrawals.

NET SALES—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

NET SALES TO INVENTORY—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover, which would be determined by reducing the annual net sales by the percentage of gross profit, and then dividing the resulting figure by the statement inventory.

NET WORKING CAPITAL—The difference between the sum of the current assets and the sum of the current debts.

TANGIBLE NET WORTH—The sum of all preferred stocks (if any) and common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good-will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stock, organization expenses, and underwriting expenses.

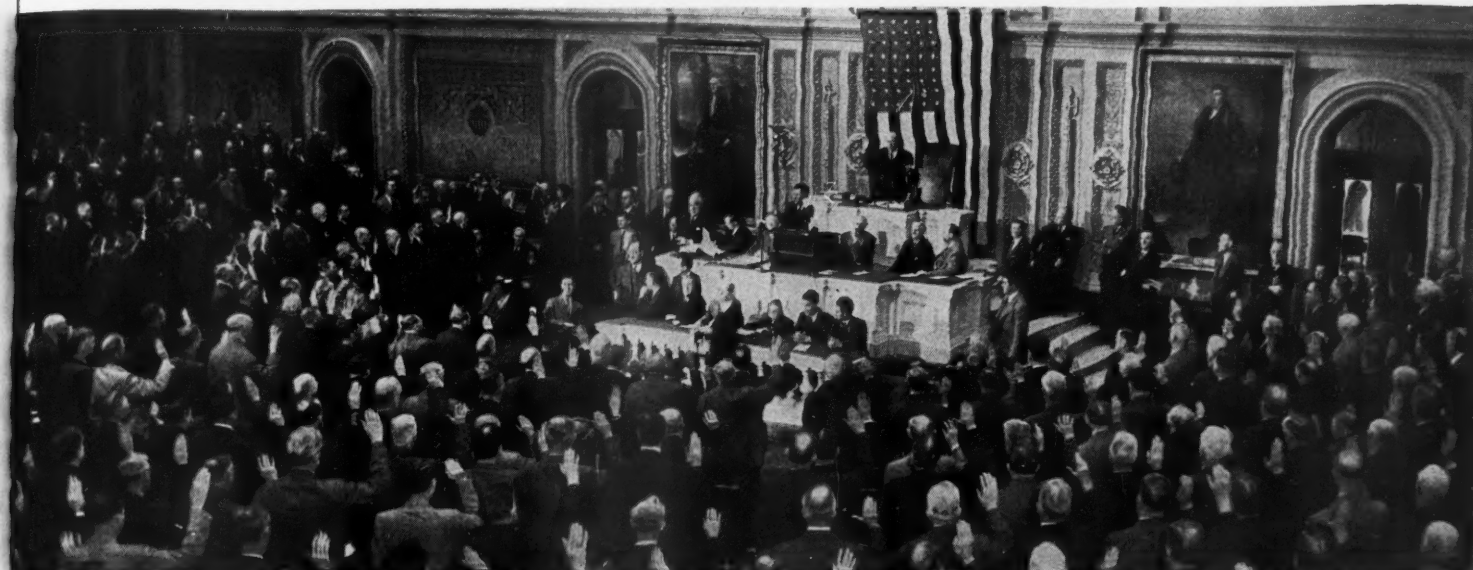
TURNOVER OF TANGIBLE NET WORTH—The quotient obtained by dividing the annual net sales by the tangible net worth.

TURNOVER OF NET WORKING CAPITAL—The quotient obtained by dividing the annual net sales by the net working capital.

CHARLES PHELPS CUSHING



THE USE OF SUBSIDIES AS AN AID IN CONTROL OF PRICES DURING WARTIME



78TH CONGRESS IS SWORN IN—HARRIS & EWING

J. P. WATSON

*Director, Bureau of Business Research
University of Pittsburgh*

PROPOSALS to use subsidies as aids in price control were given only grudging and limited approval by Congress a short time ago. Almost simultaneously with the reopening of the national legislative session, after the Summer recess, the Office of Price Administration announced further tightening of price controls and more use of subsidies in the process. In view of the limits of available appropriations, the subsidy programs could hardly be very extensive for very long without Congressional review of the subsidy policy. Since the seats of policy in OPA are now reserved by law for business men, we may assume corresponding reservations on the Congressional carpets when the subsidy policy comes up for hearing. Therefore, it is none too early to study the problem of subsidies.

Proposals to use subsidies in connection with the price-control program are aimed at limiting or preventing the interference which price control might otherwise cause in the supply of important commodities. With respect to some goods, the objective is to maintain or to increase their production without increasing their prices. With respect

to other goods, the objective is to maintain their output, or to minimize curtailment in their output, after rolling back (decreasing) their prices. Thus, the proposed subsidies are meant to help bolster up weak spots in the war-time economy.

In view of the multiple services of government and the significant services supported by private donations, it is obvious that many of our wants are met partly or wholly without specific reference to price. In what we call the business system, however, price is of primary importance.

In spite of the merits of the price system, obviously it does not work evenly. In a competitive market at a given time, the prices for all parts of the supply of a commodity gravitate to about the same level (differences in grade and in associated service being allowed for). The costs of the various parts of the supply, however, ordinarily differ in a considerable range. With reference to the prevailing price, then, the higher-cost portions of the supply represent spots of competitive weakness. In the war program, such weaknesses in the supply of war goods or of

essential civilian supplies are of national concern.

To recognize the persistent fact of inequality of costs, it is necessary only to recall well-known inequalities in such major factors as managerial talents; plant design; plant location, as it relates to supplies, labor, or market; natural resources; skill and morale of labor; taxes; or patent rights. It is well known that there are often quite significant differences in cost among plants of the same firm, among machines in the same plant, and even among shifts at the same machine. Numerous changes in competitive positions take place, but inequality of costs remains.

At almost any price level, then, it is likely that some portion of the capacity for producing any particular commodity is out of use, because costs of possible additional production are too high to be covered by the prevailing price. If the price falls, or if costs rise in relation to price, more of the capacity becomes idle. In view of the uneven behavior of prices, the proportion of capacity that is idle or is threatened with idleness may be much greater



FINE BRED GUERNSEYS IN PASTURE—CHARLES PHELPS CUSHING

"In the working of markets, it is broadly true that the price paid per unit for the whole supply must be high enough to cover the cost per unit of the most costly part of the supply put on the market. . . . A subsidy on the whole commercial supply of a commodity is illustrated by the present subsidy on butter."

in some industries than in others.

In times of peace, it has been our tradition to leave innumerable small weaknesses and many larger ones in our productive system to be ironed out in the market, *i.e.*, to permit supply and demand to be drawn together through price adjustments. But even for times of peace, we have a record of very notable special aid to some businesses and some regions through such provisions as shipping subsidies; land grants; public loans; homestead grants; special provisions of credit; irrigation projects, canals, locks, and dams; preferential tax concessions; protective tariffs; and import quotas. Although we need not agree that all such aids have been wise, we can hardly deny that the current proposals of subsidy fit into a long and varied experience in dealing with weak spots in our economy. And in this greatest of all wars, the need to employ special economic measures is much more acute than it ever was before.

In the discussion of subsidy as an aid

in the wartime price control, there are suggestions of two methods of application. One is subsidy on the whole supply of a commodity; the other is subsidy on merely the higher-cost part of the supply, that part which is needed but which presumably would not be produced at the price that has been fixed or is about to be fixed.

Subsidy on Whole Supply

Subsidy on the whole commercial supply of a commodity is illustrated by the present subsidy on butter.

In ordinary times, when effective demand for a commodity increases in relation to the supply, the increase of demand shows up in the market through larger offerings of money per unit of goods, *i.e.*, by increase of prices. When the price increases, if costs do not rise correspondingly, some producers already in operation are encouraged to operate higher-cost facilities or more shifts; and other producers, who have not been able to operate at the old price, can go into production. Thus the sup-

ply is increased in answer to higher price. When the price falls, of course, if costs do not fall correspondingly, the process is reversed, the supply being decreased by curtailment of operation in higher-cost shifts and at higher-cost machines and plants.

In this ordinary working of the market, after time for adjustments, it is broadly true that the price paid per unit for the whole supply must be high enough to cover the cost per unit of the most costly part of the supply put on the market.

For purposes of illustration, assume that there is demand for an increase in the number of units of commodity A. Suppose that, in usual market terms, an increase of one dollar in price would be required to bring out the additional supply. After the increase, the producers would receive the old price plus one dollar for each unit of the whole supply, including that which previously they had delivered profitably at the lower price.

Suppose, however, that, for war reasons, it was decided to prevent the increase of price but, instead, to pay a subsidy of one dollar per unit on the whole supply. Under these conditions, the total supply and the total payment received by all producers would be the same as if the increased price, without subsidy, had been paid.

But, since the total paid to the producers would be the same under the controlled price with this subsidy on the whole supply as it would under the uncontrolled price without the subsidy, and since, additionally, there would be administrative costs, what advantage might there be in using the subsidy? There might be significant benefits gained in the fight on specific price pressures and on the general inflationary tendency.

Since the price of one commodity is, very frequently, a highly important element in the costs of a number of other commodities, an increase of the price of one commodity often would directly stir the necessity of increasing a number of other prices. In view of the pyramiding effect of successive mark-ups (an effect like that in compound interest), the cost to the public of preventing the increase might be much less than the total of the several increases that would otherwise result.

Aside from the direct effect of an increase on the costs of other producers, an increase of the price of one commodity, in times like these, suggests

increases on other commodities, without necessary regard for increase of cost. Therefore, preventing increases at key points would help to reduce the general tendency to mark-up prices.

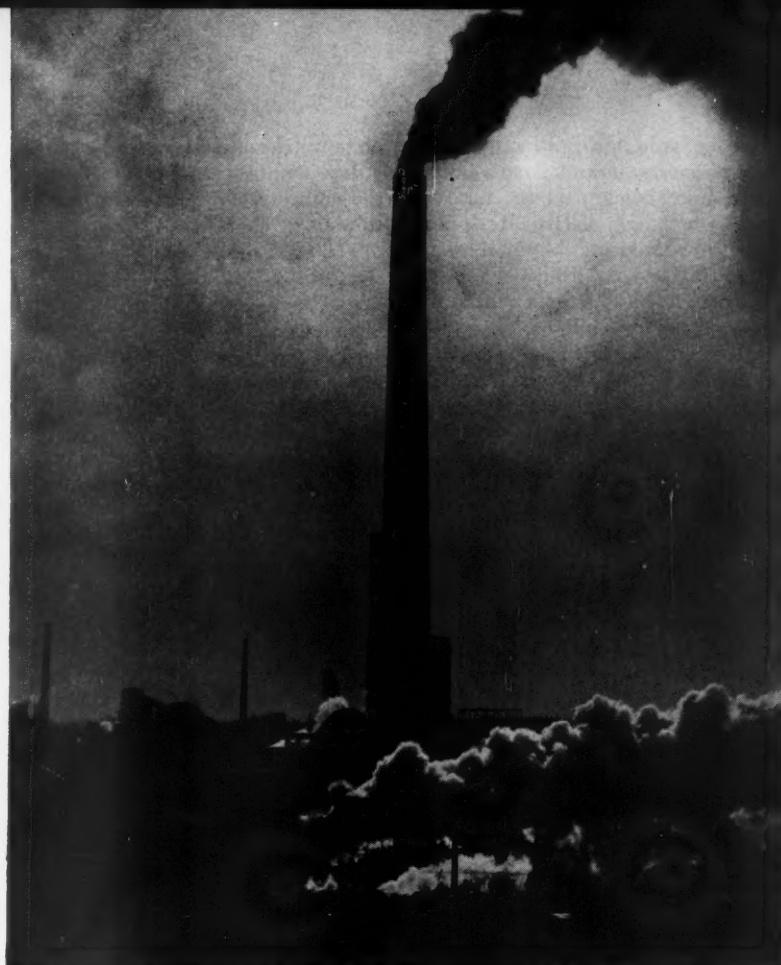
In addition to having a direct effect on costs and on the general tendency to raise prices, any such increase is likely, through its influence on the cost of living, to intensify the demand for higher wage rates. Exactly as raising one commodity price suggests raising others, including those not necessitated by a rise of production costs, so one wage increase suggests others, including those not necessitated by a rise in the cost of living. Therefore, prevention of increase in the price of important cost-of-living items is certainly a means of reducing strains in the wage structure.

Just as preventing some increases would reduce the necessity of other increases, rolling back a price would relieve existing pressures for other increases and reduce the tendency for other such pressures to develop.

Reduces Price Pressures

But mere price control, whatever its desirability, is not a fundamental cure for inflation. In addition to preventing or relieving numerous specific pressures for increase of particular prices, however, the subsidy method would to some extent help directly in reducing the general inflationary pressure. Taxation, with all its imperfections, draws off much of the money which otherwise would be used in bidding up the prices of short supplies (black-market bidding included). Spending such money as subsidy to stimulate production would be definitely anti-inflationary. Even with respect to that part of the subsidy which might be paid from loans, not including loans from commercial banks, the *immediate* effect would be anti-inflationary (the later effect depending on tax policy).

In summary, then, the possible benefits from holding certain prices back and using the subsidy for the whole supply would be to relieve the upward pressure of costs on numerous other prices, to reduce the psychological influence toward other price increases, to reduce the pressure of labor for higher rates, and to help relieve the general inflationary pressure. Since this form of subsidy equals the immediate price saving on the particular commodity, the benefit must be evaluated as an aid in reducing specific price pressures and the general inflationary tendency.



EASTERN SEABOARD COPPER PLANT—CHARLES PHELPS CUSHING

"Ordinarily, when the price of a commodity is increased, the supply is increased only by some higher cost increment whose production had not been considered profitable at the lower price. . . . An example of subsidy for the more costly increment is the existing subsidy in the copper industry."

Whatever the merit of paying a subsidy on the whole supply of a commodity in order to get an increase of that supply, we should note that it would give to producers increased profits on the lower-cost part of the supply in the same way as would the increase of the prevailing price on the product of that industry. The significance of this item will appear more clearly in the following section.

Subsidy on Higher Cost Part

Ordinarily, when the price of a commodity is increased, the supply is increased only by some higher-cost increment whose production had not been considered profitable at the lower price; when the price is decreased, the supply is curtailed only by the stoppage of the higher-cost part of the output, the part whose continued production is not considered profitable. Out of this fact arises the suggestion that subsidy be paid merely on the increment required to bring the supply up to the amount needed, or, in the instance of price re-

duction, merely on the higher-cost portion whose production is threatened by a price roll-back. An example of subsidy for the more costly increment is the existing subsidy in the copper industry.

So far as concerns merely the direct reduction of pressures on prices, the probable effect of this method does not seem to differ from that in which the subsidy is paid on the whole supply. But in the relation between subsidy paid and price savings effected, it does differ significantly. Therefore, it seems to differ significantly in its probable effect on the general inflationary tendency.

To see this difference, consider the following hypothetical example. Assume that, for a commodity whose price and supply have been adjusted competitively, the current delivered price is \$100 a unit and the supply being delivered is one million units a year. Assume that known conditions of capacity and costs show that there could be produced and delivered an additional supply of

500,000 at \$110 a unit and another increment of 250,000 units at \$120 a unit.

The price being paid for 1,000,000 units is 100 million dollars. If the price were held at \$100 and over-all subsidies were paid, the total paid to producers would be 165 million dollars for 1,500,000 units, or 210 million dollars for 1,750,000 units. To get the increase by price without subsidy would require the same payments to producers.

But suppose that, holding the price at \$100, we should pay subsidy only on the increments, namely, \$10 a unit on the 500,000 and \$20 a unit on the other 250,000. The total of price and subsidy then would be 155 million (instead of 165) for 1,500,000 units, or 185 million (instead of 210) for 1,750,000 units.

Here the delivered price sufficient to sustain production would be paid on each part of the supply. On the supply of 1,500,000, however, this method would prevent the payment of \$10,000,000 in extra profits on the low-cost million units. On the supply of 1,750,000, it would prevent payment of \$20,000,000 in extra profits on the low-cost million and \$5,000,000 of extra profit on the medium-cost 500,000.

Thus the highly important difference in dollars-and-cents terms seems to suggest the desirability of limiting subsidy to the higher-cost part of the supply, if it is administratively feasible.

Administrative Costs

Administrative costs are unavoidable in any subsidy program. It seems likely, however, that the probable cost has often been exaggerated and the offsetting savings too much ignored.

We have price-fixing, and we seem certain to keep on having it during the emergency. In fixing a price ceiling without subsidy, the Office of Price Administration obviously must estimate what effect a given price change probably would have on production. The same information would be the basis of estimating what effect a change in the combination of price and subsidy would have on production. If, in the absence of better information, the OPA is forced to depend on tentative statistical answers in fixing a price without subsidy, they could do the same in fixing a different price to be supplemented by subsidy.

Since the effect of the subsidy could not be forecast exactly, a careful running record of production would be necessary, to show whether the supply was too little or too much. Exactly the

same watchfulness, however, is already a duty with reference to supply under the influence of price ceilings without subsidy.

The main net increase of administrative cost lies in the task of getting the extra payment to the producer who is eligible to receive it. A subsidy on the whole commercial supply of a commodity would mean extra payment to every producer contributing to the commercial supply. In numerous fields of production, the number of producers is not forbiddingly large. In a number of others that have large numbers of producers, the number of main assembly channels—such as grain elevators, cotton warehouses, and stockyards at slaughter points—is small enough to be manageable. If the subsidy were only on the excess of production over previous levels, administration with respect to any claimant producer would be more complex and delicate, but those previously at capacity would not be eligible claimants.

With all practical qualifications, of course, the reaches of subsidy administration would be long and numerous. There is no clear evidence, however, that the reaches of price administration

without subsidy can be shorter and less numerous if we really want price control to work.

Thus, although an administrative task of considerable proportions is indicated, it is also indicated that much of the required administrative procedure already exists, or should, in price-fixing without subsidy. Moreover, reduction of the strong general tendency to raise prices by devious means would noticeably ease the task of enforcement. Finally, even a considerable administrative cost would be small in comparison with the Treasury savings we could expect if we could prevent a significant part of the compounded mark-ups on our enormous Governmental purchases.

If the net additional cost of administration, as such, seems probably not to be the basis for conclusive objection, what other factors seem likely to explain the strong fight against the use of subsidies as aids in the control of prices?

No doubt much of the objection would be found to lie in the widespread conservative individualism in this country, which tends to assert toward any

(Continued on page 30)

CURRENT GOVERNMENT SUBSIDIES

THESE estimates of payments are based on the most recent data available in November 1943, but obviously such annual rates cannot be accurate as the subsidies depend on changing conditions including crop yields. The figures are available through the cooperation of the OPA Division of Research. . . . Any such brief tabulation omits much that is significant, interesting, and complex. "Petroleum," for instance, involves a plan under which payments to the petroleum industry for extra costs of wartime substitute methods of transportation are offset through a Government sponsored pool by revenues from authorized price increases, collected and remitted by the oil companies.

FOODS			NON-FOODS		
Commodity	Costs	Paying Agency	Commodity	Costs	Paying Agency
(Estimated annual rate in million dollars.)			(Estimated annual rate in million dollars.)		
Butter (including govt. purchases)	80	RFC	Aluminum	6	RFC (DSC)
(Civilian purchases)	65)		Chilean nitrate of soda	7	RFC (DSC)
Canned vegetables	30	CCC	Coal	25	RFC (DSC)
Cheddar cheese	25	CCC	Copper, lead, and zinc	78	RFC (MRC)
Cooking and salad oils	20	CCC	Domestic ores	25	RFC (MRC)
Corn price adjustment	5	CCC	Fibres	4	RFC (DSC)
Dried beans	8	CCC	Imported metals	25	RFC (MRC)
Fluid milk	5	CCC	Jewel bearings	8	RFC (DSC)
Meat (including govt. purchases)	425	RFC	Nicotine sulphate	2	RFC (DSC)
(Civilian purchases)	285)		Petroleum	100	RFC (DSC)
Milk (dairy feed payments)	60	CCC	Petroleum coke	3	RFC (DSC)
Peanuts	10	CCC	Tires	20	RFC (DSC)
Peanut butter	15	CCC	Wood pulp	1	RFC (DSC)
Potatoes	20	CCC			
Prunes	7	CCC			
Raisins	7	CCC			
Soy beans	10	CCC			
Sugar beets	10	CCC			
Sugar transport	40	CCC			
Truck crops	6	CCC			
Wheat for livestock feed (fiscal year, 1944)	70	CCC			

The agencies are: Reconstruction Finance Corporation; Commodity Credit Corporation; Defense Supply Corporation; and Metals Reserve Corporation.

Industrial Production

Seasonally Adjusted Index: 1935-1939 = 100; Federal Reserve Board

	1940	1941	1942	1943
January	122	143	181	227
February	117	147	183	236
March	114	152	186	235
April	114	149	189	237
May	118	160	191	238
June	123	164	193	237
July	123	166	197	239
August	126	167	204	242
September	130	169	208	243
October	132	172	215	
November	136	174	220	
December	140	176	223	

Employment

Millions of Persons: U. S. Bureau of Census

	1940	1941	1942	1943
January		45.3	48.9	51.0
February		45.7	49.4	50.9
March		45.8	50.9	51.0
April	45.1	46.8	50.7	51.2
May	46.3	48.5	51.1	51.4
June	47.6	50.0	53.3	51.4
July	47.6	50.9	54.0	54.3
August	47.7	51.0	54.0	53.9
September	47.9	50.3	52.4	52.5
October	47.0	50.2	52.4	
November	46.3	50.2	52.8	
December	46.3	50.2	51.9	

Wholesale Commodity Prices

Index: 1926 = 100; U. S. Bureau of Labor Statistics

	1940	1941	1942	1943
January	79.4	80.8	96.0	101.9
February	78.7	80.6	96.7	102.5
March	78.4	81.5	97.6	103.4
April	78.6	83.2	98.7	103.7
May	78.4	84.9	98.9	104.1
June	77.5	87.1	98.6	103.8
July	77.7	88.3	98.7	103.1
August	77.1	90.3	99.2	103.1
September	78.0	91.8	99.6	103
October	78.7	92.4	100.0	
November	79.6	92.5	100.2	
December	80.0	93.6	101.0	

Retail Sales

Seasonally Adjusted Index: 1935-1939 = 100; U. S. Dept. of Com.

	1940	1941	1942	1943
January	113.3	130.3	149.7	156.9
February	114.6	136.6	144.3	160.9
March	115.9	135.5	142.8	159.7
April	113.8	137.1	141.1	155.7
May	116.0	140.5	146.5	156.8
June	117.5	139.0	140.5	162.4
July	117.1	144.7	146.2	163.3
August	118.7	153.8	151.5	161.3
September	115.4	139.8	146.1	159.7
October	117.2	133.9	150.0	164 *
November	123.4	142.0	155.0	
December	124.5	138.3	144.4	

Cost of Living

Index: 1915-1919 = 100; U. S. Bureau of Labor Statistics

	1940	1941	1942	1943
January		100.8	112.0	120.7
February		100.8	112.0	121.0
March	99.8	101.2	114.3	122.8
April		102.2	115.1	124.1
May		102.9	116.0	124.8
June	100.5	104.6	116.4	124.8
July		105.9	116.9	123.9
August		106.2	117.4	123.4
September	100.4	108.1	117.8	123.9
October	100.2	109.3	119.0	
November	100.1	110.2	119.8	
December	100.7	110.5	120.4	

Industrial Stock Prices

Monthly Average of Daily Index: Dow-Jones

	1940	1941	1942	1943
January	147.60	130.17	111.11	131.53
February	147.29	121.68	107.28	127.40
March	147.13	122.52	101.62	131.15
April	148.91	119.10	97.79	126.00
May	139.75	116.44	98.42	138.60
June	119.46	115.77	103.75	141.35
July	122.23	127.57	106.94	142.90
August	125.32	126.67	106.99	136.34
September	131.46	127.35	107.37	138.90
October	134.39	121.18	113.51	
November	133.90	116.91	115.31	
December	130.45	110.67	117.16	

* Approximation; figure from quoted source not available.

THE Underlying TREND OF BUSINESS

SUMMARY: Industrial output continues at peak levels with many war industries recording gains. Labor shortages remain the chief problem. Trade is continuing at a steady pace with the coming of the holidays. Income payments to individuals move upward, especially in war localities.

AS new high peaks of industrial output of war goods are approached, production of civilian items is estimated close to the lowest levels of the war. The newly revised index of industrial production (Federal Reserve Board) points out that total output has doubled since June 1940 and is more than double 1939 levels. The volume of new orders continues to increase and backlogs of unfilled orders in war and civilian lines have generally mounted.

PRODUCTION—Over the last two months industrial activity was maintained at previous record levels with little change. The largest increases in output was in the iron and steel and the transportation equipment industry groups with other durable goods lines changing slightly.

Pig iron production hit a record level in September, 1 per cent over the same period last year. Munitions output is moving consistently upward, although slow delivery of materials, design changes, and the acute labor shortage continue to hinder total production to some extent. Aircraft production reached a new high in October of 8,362

airplanes, a gain of 10 per cent over September, with heavy bomber output the largest for any month on record.

Production of machine tools and accessories was further curtailed during September as shipments totalled \$85,842,000, 3 per cent below August and 28 per cent below September 1942. The backlog of unfilled orders in September fell off 14 per cent from the previous month. Both production and shipments are, of course, still at levels several times the 1935-1939 activity rate. Non-ferrous scrap shipments to consumers ended a two months' downward movement as total

shipments rose 1 per cent from the July low to 75,173 short tons in August.

Lumber stocks remain tight as heavy military demand for boxing and crating, along with unbalanced stocks and manpower shortages, takes up supplies. Lumber output in August dropped 11 per cent below the same month in 1942 and the rise of 3 per cent over July 1943 was smaller than usual for the month. The reduced lumber output has been one of the reasons for the lag in the manufacture of wooden furniture; September new orders were 13 per cent below August (the largest monthly decline since 1936) and 62 per cent below

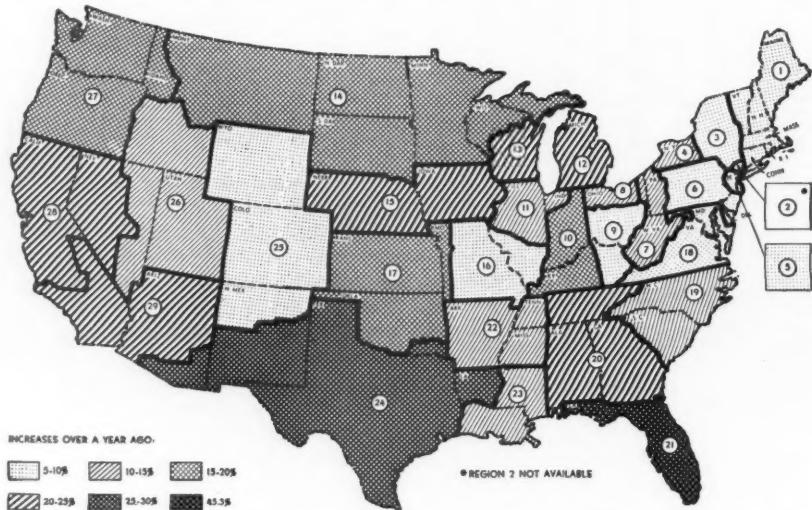
To: Users of Trade Data. REGULAR users of the business conditions information in DUN'S REVIEW will notice that the material is arranged differently this month in further efforts to conserve paper and to condense data rather than omitting any altogether. The Regional Trade Information and Barometers section (summarized on the next page) has been transferred in almost exactly its previous form to DUN'S STATISTICAL REVIEW where it will be available earlier. DUN'S STATISTICAL REVIEW contains detailed analyses of other statistical data originally compiled by the publishers; the subscription is \$1.00 a year.

TRADE REPORTS FROM TWENTY-NINE REGIONS

Barometers compiled by L. D. H. Weld, Director of Research, McCann-Erickson, Inc.

THIS information on regional trade activity is based upon comments of business men, gathered and weighed by local DUN & BRADSTREET offices. More detailed data, formerly in DUN'S REVIEW, is now available in DUN'S STATISTICAL REVIEW; a change necessitated by paper limitations. Payroll, employment, and farm income figures are from Government sources.

The barometers used below are adjusted for seasonal variation; the monthly average for the years 1928-1932 inclusive equals 100. Both adjusted and unadjusted barometers may be obtained in advance of publication by special arrangements with the editors.



Aug. 1943	Change from Aug. '42	Change from July '43	HIGHLIGHTS OF TRADE ACTIVITY
	%	%	
UNITED STATES			
143.7	+15.3	+ 8.7	August adjusted index at 143.7 is somewhat over the July figure of 132.2; well above the 124.6 of last August. Twelve regions had yearly gains greater than the country; 17 were below.
1. NEW ENGLAND			
109.8	+ 9.1	+ 6.4	Retail gains over 1942 about half country increase. Over-all industrial employment up over 1942 despite slight drop in cotton, woolen, and shoe plants.
2. NEW YORK CITY			
Index is unavailable.			
3. ALBANY, SYRACUSE			
135.8	+ 6.9	+15.4	Albany and Syracuse wholesaling about 10% above 1942. Glove production maintained at top level; leather shipments improved. Egg production up; milk and potato output off.
4. BUFFALO, ROCHESTER			
127.9	+13.0	+ 9.5	Industrial employment in Buffalo and Rochester up 15% over 1942; off monthly in all but non-ferrous and machinery industries. Steel mills in Buffalo continue at 105% of capacity.
5. NORTHERN NEW JERSEY			
119.3	+ 9.9	+13.9	Newark wholesale trade reported 8% above 1942. Industrial employment gains in most cities leveling off; payrolls continue high. Dry weather limits output of some crops.
6. PHILADELPHIA			
118.7	+ 8.4	+10.7	Employment gains over 1942 narrowing; payrolls continue upward. Pennsylvania farm income small compared with country. Over-all retail gains continue low compared with 1942.
7. PITTSBURGH			
129.0	+10.7	+15.8	Wholesaling gains over 1942 continue good; Pittsburgh up 14%, Charleston 12%, Erie 6%. Pittsburgh employment and payrolls continue to mount. West Virginia lumber output at peak.
8. CLEVELAND			
162.8	+13.4	+11.5	Farm income gain over 1942 low; livestock and crop receipts below national returns. Manufacturing employment in most cities continues upward; payrolls average 29% gain over 1942.
9. CINCINNATI, COLUMBUS			
160.4	+ 8.6	+ 7.4	Wholesale trade in Cincinnati and Columbus registers excellent gains over 1942. Crop yields below last year; prices high. Livestock receipts about 27% ahead of 1942.
10. INDIANAPOLIS, LOUISVILLE			
197.3	+18.6	+ 6.6	Louisville wholesale trade down 15%, Indianapolis off 8%. Kentucky tobacco sales 79% ahead of 1942. Tremendous industrial employment gains in Evansville; other cities also up.
11. CHICAGO			
125.1	+14.8	+ 3.6	Record corn crop being harvested in area. Industrial employment leveling off. Over-all retail trade gain less than country for first time since last May.
12. DETROIT			
185.7	+20.7	+ 7.6	Industrial employment gains over last year narrowing. Increase in Michigan farm income over 1942 less than country. Potato production above 1942, grain and sugar beet yield off.
13. MILWAUKEE			
166.9	+20.2	+10.1	Milwaukee wholesale trade off 10% from 1942. Green Bay up 8%. Wisconsin farm income gain even with country. Vegetables produced for canning about 20% ahead of 1942.
14. MINNEAPOLIS, ST. PAUL			
142.2	+18.4	+10.3	Industrial employment continues upward. Farm income gains over 1942 high, especially in Montana, and the Dakotas. Montana crop receipts amounted to 109% of 1942 figures.

Aug. 1943	Change from Aug. '42	Change from July '43	HIGHLIGHTS OF TRADE ACTIVITY
	%	%	
15. IOWA, NEBRASKA			
148.2	+23.9	+23.1	Wholesaling continues to record good gains. Farm income in Nebraska 57% above 1942, Iowa up 29%. Iowa milk, egg, and corn production at exceptionally high levels.
16. ST. LOUIS			
133.8	+ 6.1	+ 3.2	Food crop yields in area below 1942; livestock output up but not as much as country. Steel mills continue to operate at 107% of capacity. Wholesale trade gains remain good.
17. KANSAS CITY			
156.2	+19.1	+ 7.4	Oklahoma farm income 15% below last year, only decline in country; Kansas up 32%. Industrial employment booming in Oklahoma City and Tulsa. Cotton seriously hampered by drought.
18. MARYLAND, VIRGINIA			
180.1	+ 7.3	+ 7.7	Gains in industrial employment narrowing; payrolls in Baltimore up 24% over 1942. All crops hindered by drought conditions. Retail gains over 1942 continue less than nation.
19. NORTH AND SOUTH CAROLINA			
211.6	+10.8	+17.3	Tobacco and cotton crops maintain output even with last year's high level. Industrial employment and payrolls mount; labor shortage affecting cotton mills output.
20. ATLANTA, BIRMINGHAM			
221.9	+23.1	+ 4.9	Alabama farm income gain greatest in country, 89% ahead of 1942. Tennessee cotton crop off due to drought. Industrial employment in most cities even with last year.
21. FLORIDA			
302.8	+45.3	+29.2	Greatest yearly retail trade gain in this area. Citrus fruit production progressing well. Jacksonville industrial employment about double 1942; gains in other cities narrowing.
22. MEMPHIS			
179.6	+12.4	+14.0	Memphis wholesale trade 25% ahead of 1942. Cotton yield better than earlier expectations due to improved weather conditions. Industrial employment gains narrowing.
23. NEW ORLEANS			
166.2	+13.8	+ 2.5	Louisiana farm income registers second greatest increase, 67% over last year. New Orleans wholesale trade continues well above 1942; retailing activity also remains high.
24. TEXAS			
227.2	+29.0	+ 6.7	Wholesale and retail activity exceptionally high. Industrial employment gain in Fort Worth more than double last year; other city gains narrowing; a few areas report drops.
25. DENVER			
162.2	+ 9.1	+10.6	Drought conditions delay most crops. Farm income in Colorado 40% above 1942. New Mexico up 21%, Wyoming up 20%. Denver wholesale trade up 12% over 1942.
26. SALT LAKE CITY			
175.6	+14.7	+ 9.7	Utah farm income up 48% over 1942, Idaho up 16%. Increased acreage brings potato output well above 1942. Retail trade up less than country for first time in more than a year.
27. PORTLAND, SEATTLE			
183.8	+19.1	+ 4.3	Washington and Oregon farm income gains over 1942 even with country increase. Fishing season better than average. Payrolls in area boosted by increase in hourly wages.
28. SAN FRANCISCO			
151.8	+21.0	- 3.7	Seasonal canning industry increases employment. Industrial employment continues well above 1942; payrolls also mount. Most crops about even with 1942's high output.
29. LOS ANGELES			
151.7	+22.3	- 0.3	Industrial employment continues high; farm wage rates register 22% increase over 1942. Cotton yield prospects considerably below 1942. Aircraft industry continues expansion.

the same period last year. Heavy cancellations and unchanged shipments during September lowered backlogs of unfilled orders by about 14 per cent.

Non-durable goods production is continuing at about the same rate as for the last two months. Cotton consumption rose 6 per cent in September after declining since May of this year. Production of sole leather for the first eight months of this year was 17 per cent below 1942. Shoe production continued at the same level as in previous months and was running slightly higher than in September of last year.

EMPLOYMENT—The number of areas in which there are acute labor shortages, as of November 1, 1943, has increased from 71 to 77 of the 351 designated industrial areas. Total employment fell again in October to 51,900,000, a decline of 600,000 from September; 500,000 below October 1942. Factory employment gained mainly in aircraft, transportation equipment, and electrical machinery lines. In non-durable lines, employment in the food group declined the most, due to a large extent to the drop of seasonal employment in the canning industry. About one-half of the drop was due to the decline in farm employment, although the seasonal drop was considerably less than for a year ago. Again the decrease in employment was mostly among the teen-age group. Factory payrolls continue to expand. The largest increase in average hourly earnings during September was in transportation equipment lines.

INCOME—Even though the number employed declines slightly, month by month, total income payments to individuals continue to move upward. The sharpest rise is in localities registering the greatest war growth. The New England and Central States are giving way to the States in the South, Southwest, and Pacific Coast, which have a per capita income averaging about 70 per cent over 1939 levels. In the first eight months of 1943, income payments for the country amounted to \$90,524,000,000, a 26 per cent increase over the comparable period of last year.

RETAILING—Retail trade has taken on a steady pace as apparel items continue their notable gains. Christmas buying for military personnel adds to sales volume. Promotional activity has been directed toward more plentiful lines so as not to further deplete already limited stocks. Some retailers, however, are finding it more difficult to set aside any portion of their inventories in such lines as linen, lingerie, and blankets for the coming holiday trade. Retail stocks, on the whole, are considered generally sufficient to meet consumer needs. The popularity of higher priced merchandise helps to swell dollar volume. Sales gains in States in the Pacific Coast, Southwest, and South areas continue well above the country average. The DUN'S REVIEW latest seasonally-adjusted index of consumer buying reported an increase from 132.2 to 143.7 (1928-1932 = 100); this is the third consecutive monthly increase (see opposite page).

WHOLESALE—Trading improved in wholesale markets with continued strength in consumer demand. The large wholesale volume was further increased by heavy ordering of Spring apparel. In many lines, goods available were limited and irregular deliveries hindered filling depleted stocks brought on by increasingly heavy civilian demand.

PRICES—Wholesale prices remained fairly steady during October. Grain prices increased through the middle of the month, but wheat, oats, and barley prices remained steady during the remainder of the month while consideration of price ceiling discussion was reported. Livestock prices were lower.

The cost of living in large cities went up 0.4 per cent during the month from August to September, to 123.7 per cent of the average for 1935-1939 after slight declines during the last three months. Increases in the cost of food and clothing were responsible. Higher prices of fish and eggs were responsible for the rise in food costs; fruit and vegetable prices dropped. The scarcity in some lower priced apparel and the higher costs of the new Fall lines aided in increased clothing costs (U. S. Bureau of Labor Statistics).

FOOD—Food output is running high, exceeding by several per cent production for any other year except last year's record. Favorable weather helped farmers harvest late crops in most States. The acreage this year is the largest in ten years. Commercial vegetable output, excluding the large potato crops, is expected to be larger than any year except 1942, while fruit production is smaller than in the last few years. Citrus fruit yield is estimated to be at peak levels. The small supply of market vegetables was enlarged by the high yield of home grown produce. The feed grain crop output is above that of any year prior to 1942. Civilian food supplies will run slightly under last year, but consumption will be maintained somewhat above pre-war levels (U. S. Bureau of Agricultural Economics).

FAILURES—Business failures, after a slight rise in August, experienced in



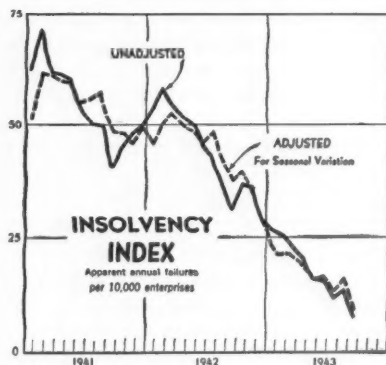
MILLING CUTTER—CUSHING PHOTOGRAPH

Factory employment in October increased over last month and last year, with the largest gains in aircraft, transportation equipment, and electrical machinery lines.

SIGNIFICANT INDICATORS

COMPILED BY THE PUBLISHERS OF "DUN'S REVIEW"

More detailed figures appear in DUN'S STATISTICAL REVIEW.



INSOLVENCY INDEX

	Sept. 1943	Aug. 1942	Sept. 1942	Per Cent Change
Dun's Insolvency Index*				
Unadjusted	7.5	13.2	31.7	-76
Adjusted, seasonally	8.9	15.2	37.7	-76
NUMBER OF FAILURES	124	227	556	-78
NUMBER BY SIZE OF DEBT				
Under \$5,000	60	108	323	-81
\$5,000-\$25,000	49	91	189	-74
\$25,000-\$100,000	12	26	39	-69
\$100,000 and over	3	6	5	-40

(Liabilities in thousands)

CURRENT LIABILITIES	\$1,488	\$2,905	\$5,473	-73
TOTAL LIABILITIES	\$1,538	\$2,905	\$5,508	-73

*Apparent annual failures per 10,000 enterprises.

FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	(Number) Jan.-Sept. 1943	(Liabilities) Jan.-Sept. 1943	(Number) Jan.-Sept. 1942	(Liabilities) Jan.-Sept. 1942
MINING, MANUFACTURING	475	1,219	14,541	25,006
Mining—Coal, Oil, Misc.	20	43	751	2,010
Food and Kindred Products	68	236	2,290	5,916
Textile Products, Apparel	72	235	837	3,508
Lumber, Lumber Products	59	133	1,505	2,075
Paper, Printing, Publishing	75	151	2,088	2,846
Chemicals, Allied Products	24	49	327	856
Leather, Leather Products	8	42	242	704
Stone, Clay, Glass Products	18	35	327	704
Iron, Steel, and Products	25	44	1,072	967
Machinery	39	57	3,719	1,179
Transportation Equipment	9	21	530	508
Miscellaneous	58	174	853	2,833
WHOLESALE TRADE	218	606	2,561	9,541
Food and Farm Products	84	239	945	3,587
Apparel	11	22	63	203
Dry Goods	7	20	59	344
Lumber, Bldg. Mats., Hdw.	22	62	399	1,482
Chemicals and Drugs	6	24	44	516
Motor Vehicles, Equipment	5	35	40	267
Miscellaneous	83	204	1,002	3,142
RETAIL TRADE	1,534	4,825	10,959	33,360
Food and Liquor	442	1,499	1,885	6,802
General Merchandise	60	213	303	1,824
Apparel and Accessories	137	525	919	4,258
Furniture, Furnishings	76	300	600	2,414
Lumber, Bldg. Mats., Hdw.	88	234	652	2,150
Automotive Group	96	408	814	3,391
Eating, Drinking Places	385	844	3,805	7,291
Drug Stores	105	374	678	2,667
Miscellaneous	145	428	1,303	2,563
CONSTRUCTION	326	577	4,704	7,570
General Bldg. Contractors	122	190	2,962	4,239
Building Sub-contractors	108	370	1,574	2,912
Other Contractors	6	17	168	419
COMMERCIAL SERVICE	199	414	4,332	5,910
Highway Transportation	43	120	1,111	2,461
Misc. Public Services	8	11	1,164	477
Hotels	9	29	104	594
Cleaning, Dyeing, Repairs	23	37	145	228
Laundries	49	57	1,273	936
Undertakers	12	24	115	149
Other Personal Services	22	43	86	266
Business, Repair Service	33	93	244	799

WHOLESALE FOOD PRICE INDEX

The index is the sum of the wholesale price per pound of 31 commodities in general use.

1943	1942	1943
Nov. 23.. \$4.04	Nov. 24.. \$3.95	High \$4.12 May 18
Nov. 16.. 4.03	Nov. 17.. 3.94	Low 4.03 Jan. 12
Nov. 9.. 4.03	Nov. 10.. 3.94	1942
Nov. 2.. 4.04	Nov. 3.. 3.92	High \$4.02 Dec. 22
Oct. 26.. 4.03	Oct. 27.. 3.91	Low 3.45 Jan. 6

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities. (1930-1932 = 100).

Week Ending:	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Nov. 20..	169.64	169.77	169.83	170.02	169.81	169.75
Nov. 13..	171.02	169.49	169.33	Holid'y	169.32	169.39
Nov. 6..	171.68	Holid'y	171.40	171.43	171.43	171.50
Oct. 30..	172.21	171.98	171.73	171.99	171.90	171.69
1943	1942	1940				
High 173.30 Oct. 15	166.02 Dec. 30	124.84 Dec. 31				
Low 166.61 Jan. 2	151.54 Jan. 2	112.42 Aug. 19				

BUILDING PERMIT VALUES—215 CITIES

Geographical Divisions	1943	1942	Change P. Ct.
New England	\$2,606,042	\$3,511,589	-25.8
Middle Atlantic	7,054,417	7,367,826	+3.9
South Atlantic	4,301,591	9,666,131	-55.5
East Central	10,971,483	14,036,913	-21.8
South Central	4,579,108	5,169,855	-11.6
West Central	1,604,056	2,025,236	-20.8
Mountain	1,014,264	553,780	+83.2
Pacific	10,597,539	13,729,384	-22.8
Total U. S.	\$43,320,500	\$56,060,714	-22.7
New York City	\$2,987,191	\$3,255,955	+33.0
Outside N. Y. C.	\$40,333,309	\$52,804,759	-25.0

BANK CLEARINGS—INDIVIDUAL CITIES

(Thousands of dollars)

	Sept. 1943	Sept. 1942	% Change
Boston	1,641,720	1,307,639	+25.6
Philadelphia	2,933,000	2,365,000	+24.0
Buffalo	277,482	222,800	+24.5
Pittsburgh	1,090,354	990,234	+10.1
Cleveland	987,896	803,354	+23.0
Cincinnati	486,812	434,826	+12.0
Baltimore	708,417	554,914	+27.7
Richmond	400,408	334,004	+19.9
Atlanta	615,200	468,500	+31.3
New Orleans	398,876	309,776	+28.8
Chicago	2,125,041	1,739,919	+22.2
Detroit	1,542,386	1,265,019	+21.9
St. Louis	765,842	630,390	+21.5
Louisville	307,225	251,408	+22.2
Minneapolis	709,271	517,974	+36.9
Kansas City	842,001	737,120	+14.2
Omaha	352,260	235,868	+37.0
Denver	259,306	218,717	+18.6
Dallas	506,512	378,751	+36.4
Houston	441,532	327,002	+35.0
San Francisco	1,210,880	1,023,114	+18.4
Portland, Ore.	375,451	320,455	+17.2
Seattle	427,066	356,928	+19.7
Total 23 Cities	19,378,928	15,793,712	+22.7
New York	21,925,702	16,600,699	+32.1
Total 24 Cities	41,304,630	32,394,411	+27.5
Daily Average	1,652,185	1,295,776	+27.5

FURTHER INFORMATION

Due to war-time restriction on use of paper and the desire to conserve as much space as possible, the features appearing on this page are necessarily given in very abbreviated form. More detailed data on the various subjects are published each month in Dun's Statistical Review. For example, building permit values for each of the 215 cities are given, with a breakdown by geographical regions. Failure statistics are available by States, by large cities, and by Federal Reserve Districts; also by industrial groups and by size of liabilities. Canadian failure statistics by Provinces are included. With the bank clearing data there is also comparative data for the three preceding years, for the preceding month and cumulative data for the year to date.

The wholesale price indexes are presented for a much longer period of time. There is also a summarized presentation of other wholesale price index numbers, both United States and foreign. . . . The annual subscription to Dun's Statistical Review is \$1 a year.

September one of the sharpest declines of the year, dropping to the fantastically low number of 124 for the month compared with 227 for August. The seasonally-adjusted insolvency index went down 6 points to a new low of 8.9; August was 15.2, September 1942 was 37.7.

A 30 per cent drop in failures in New York City was responsible in large measure for the small September total. Failures were off sharply in all five main industry groups. The declines on a daily basis ranged from 67 per cent in wholesale trade to 18 per cent in manufacturing (see table at the left).

FINANCIAL—Excess reserves increased in September as a result of a heavy transfer of funds from private to Government accounts during the Third War Loan Drive. This was of short duration; in October excess reserves dropped back well below August levels, close to 58 per cent below 1942.

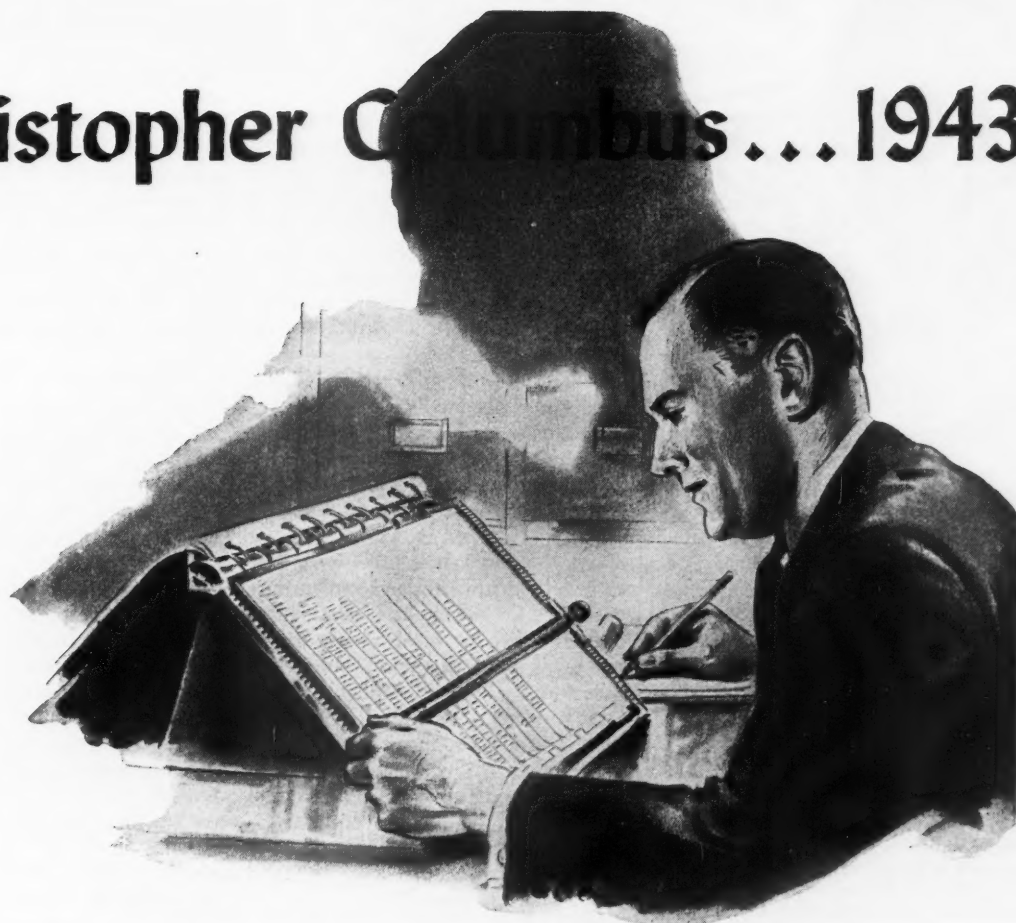
Currency in circulation climbed upward by an additional \$406,000,000 from September to October; the monthly rate of expansion fell off, and the monthly percentage increases over the same month of the preceding year have narrowed from the high recorded for May 1943 of 42 per cent to 35 per cent in October.

Security markets remained steady in October after a slight decline in the early part of the month. Markets fluctuated wildly during the first half of November and dropped considerably as peace rumors in the second week of the month pulled down stock prices. Moderate improvement, however, was noted as the market rallied slightly; volume improved, remaining high.

Bank debits in October totalled \$66,270,000,000 according to reports of banks in 334 centers. This was an increase of 14 per cent compared with the \$58,334,000,000 registered in October 1942. A 13 per cent decrease was recorded in the month when compared with September's \$75,759,000,000. New York City debits dropped to \$23,990,000,000 in October, or 14 per cent.

War expenditures have continued their upward movement since the beginning of the war, but have now reached the point where the monthly rate is levelling off, with some occasional monthly declines. October war spending, however, rose above the September figure by \$37,000,000, reaching a total of \$6,989,000 for the month.

Christopher Columbus... 1943



The Statistical Department doesn't work on Sundays, but the Old Man often does. It's his way of beating the gun. There is a directors' meeting on Tuesday, and the Old Man will have all the details of the month and the year to date fixed firm in his mind.

Once, the whole business was under his hat. Later, as plants, products and problems multiplied, things began to get away from him. The Statistical Department was no help at first; he drove everybody daffy demanding special comparisons and break-downs... And then somebody thought of McBee.

Now the Old Man is again the Christopher Columbus of his own firm, and of his industry. McBee Unit Analysis Reports cover all the details he wants, by months, by weeks—or even day to day. He can extract the information himself, quickly; so can his secretary. He spotted the high spoilage of centrifugal castings in Syracuse

in time to prevent a bad accident, as well as stock loss. He found out why the West Coast plant, with lower labor and material costs, lost money on a certain line. He is able to anticipate developments in departments.

McBEE Unit Analysis is a form of business reports that makes business information available faster. It is custom fitted to your business, needs and problems; can be kept up, modified, changed daily. It summarizes and compares—directly—thousands of details. Information can be classified by any number of wanted categories. Unit Analysis needs no trained operators, is flexible, fast, economical, simple, suited to any size business, large or small.

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SOLUTION—

Special "wet mufflers" prevent exhaust noise

Silence may mean the difference between success and failure in establishing a beach-head. Landing barge engines must have quiet exhausts so as not to warn the enemy. Because old-style exhaust mufflers were inadequate and not suited to this use, a special type of muffler was needed. The new muffler had to make the engine exhaust quiet and not interfere with its efficiency and reliability.

Burgess acoustic engineers, who first applied the snubbing principle of exhaust quieting, perfected a combination wet-type muffler for this particular application. This special muffler absorbs the "punch" of the exhaust slugs, so that the exhausted gases leave the tailpipe in a smooth, quiet flow. Exhaust noise is prevented before it occurs rather than muffled afterward.

BURGESS PIONEERING in acoustic development has produced many other quieting devices. Over 20 years' experience has made it possible for the Acoustic Division to successfully engineer products ranging from exhaust silencers to acoustic telephone booths. Why not write us of your noise difficulties? Acoustic Division engineers may already have worked out the solution to your problem.

BURGESS
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Acoustic Division, Burgess Battery Company
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WHAT DOES FREEDOM MEAN?

(Continued from page 11)

and the ideals of modern democracy. Persuasive and convincing argument is one thing, but compulsion whether by threat or by force is a very different thing. The free man will eagerly seek the one and will turn his back upon the other. To put any individual human being in the chains of an organization of this kind closes to him the door of opportunity.

In our modern society there is but one form of equality. That is equality before the law. Men have always differed and will always continue to differ in health, in strength, and in mental power, in personal relationships as well as in opportunities, in efficiency and in practical ability. It is imperative that each individual be trained and encouraged to take advantage of the opportunities which are open to him and to make the most of them. Some will gain large personal influence, some large fortunes, some high repute in letters or in science, in art or in music, while others will develop administrative capacity which will enable them to organize and to guide the combined efforts of themselves and of others toward the accomplishment of a definite and constructive purpose.

Freedom of Enterprise

All these are manifestations of the fifth freedom of individual enterprise. As society develops and as intelligence and insight strengthen and multiply, it is of commanding importance that the family, the school, and the church unite in the exercise of those constructive educational influences and methods which will give increasing significance to the freedom of individual enterprise as each generation comes to maturity.

The American conception of a democratically organized and administered society is definitely recorded in the Declaration of Independence and in the Federal Constitution with its Bill of Rights. Both great documents were written by free men who accomplished through them wholeheartedly and with satisfaction an end, the influence and significance of which have steadily increased as the years have passed. Straight thinking in respect to these fundamental principles makes it perfectly clear that freedom is not the creation of government, but that freedom sets up government to be its servant and so defines its organization and limitations that government may be the in-

strument of freedom in moving toward the accomplishment of its high aims.

There can be no greater fallacy than to assume that in a democratic society government comes first and that freedom exists incidentally and afterward. Precisely the opposite is the fact. Moreover, it is of vital importance that government be guided and controlled by the voice of the entire people whose government it is. It must never be guided and controlled by organized and self-seeking groups working only for their own advantage and authority. In the modern social and economic order there is constant, almost continuing war between public opinion and the public will on the one hand and highly organized, self-seeking pressure groups on the other. Nothing could more certainly or more completely undermine democracy than if it were possible to displace the power of public opinion by the influence and power of self-seeking groups.

Public opinion, particularly in the United States, is sometimes very patient, often too patient. Before expressing itself with clearness and emphasis it frequently hesitates until governmental acts and policies to which it objects have done no small damage. When this public opinion is ready to express itself, however, it does so in its own most emphatic way. The political history of the past fifty years abounds in illustrations of this fact. The executive and legislative departments of government, whether State or Federal, are made directly responsible to public opinion by reason of frequent elections. It is in connection with these elections that selfish and well-organized pressure groups so often attempt to gain advantage under the guise of claiming to express public opinion. Time and time again a certain measure of success has attended these efforts, usually in the selection of members of the legislative branch of government.

If and when there are two highly organized political parties, one liberal and one conservative, we have the almost ideal organization for the choice and carrying on of governmental policies by public opinion. The conservative and liberal represent the two fundamental types of human thinking in respect to public affairs. The conservative would move very slowly, making few, if any, changes in existing institutions and practices. The liberal



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would be looking forward for ways of making men happier and more comfortable and government more efficient, even at the cost of changing, sometimes in large degree, the details of the organization and practice of government itself.

When the conservative holds back too hard and too long, the liberal wins in the next election. When the liberal goes forward too rapidly and without good judgment, the conservative displaces him in public opinion and gets a new chance to express himself. All these happenings are part of the fifth freedom. They and they alone can establish, maintain, and express democratic principles and accomplish progress. They and they alone can assure that form of progress which means order, justice, and true liberty. Therefore, it is a fact that the fifth freedom, the freedom of individual enterprise, is the keystone of the arch on which the other four freedoms rest. This is what freedom means.

Rights of Small Nations

It is this true conception of freedom which must guide and shape those policies of international understanding and international cooperation to which men will turn when the world-wide war now raging has been won by the forces of liberty. These same principles which within a democratic nation give guidance to personal and national conduct and life will also give guidance and direction to the life of those free nations which must cooperate not only to win this war, but to establish a new world organization to promote economic prosperity and to insure and protect international peace. It is important that the minds of men should be fixed upon these fundamental principles and not be permitted to wander hither and yon in the discussion of minor and often trivial problems of national and international policy. It must be made clear to the smaller, but highly self-conscious nations, that their safety and independence are to be as secure as are those of the great nations having vast populations and almost unlimited wealth.

All peoples must come to understand that the fundamental doctrines contained in the American Declaration of Independence and in the Federal Constitution with its Bill of Rights, apply to nations, whether great or small, which participate in a world organization, as well as to individuals living under a single government. It is upon freedom that the minds of men must be fixed, but that freedom must be so



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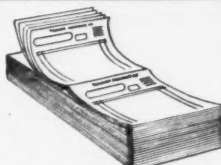
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well defined and so clearly understood that all nations can and will move forward in cooperation toward its establishment and protection with confidence and with satisfaction. It may well be that when peace comes it will be found desirable to propose and to urge migration from one part of the world to another. In the years to come it may prove to be useful and helpful if still sparsely settled parts of the continents of Asia, of Africa, and of the Americas should increase their populations in order to multiply their productive economic capacity and development and to relieve pressure elsewhere. It might well prove to be that a new and carefully organized Exodus would result in a new and most helpful Genesis.

Confidence is what human nature needs for happiness and prosperity, and confidence is what a modern democratic nation needs for independence and political and economic accomplishment. Therefore, it is that confidence in a wisely guided, a clearly conceived, and a well-defended freedom which is the essential need of this twentieth-century world as it looks forward to the years which are to follow.

It was Confucius who said that men cannot work together unless they have common principles.

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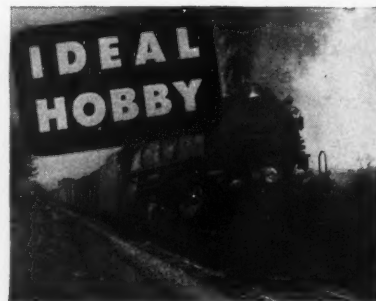
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SUBSIDIES AS AIDS IN CONTROLLING PRICES

(Continued from page 18)

significant proposal of change an attitude of "I'm from Missouri; show me!" Toward many proposals, the attitude is desirable. Proposals often are given such foggy presentation, or are so befogged by intemperate attack, that they appear to merit the attitude of skepticism. But time after time in this war, major plans which appeared to be lost under loud attack have come out with quiet acceptance—because those who asked to be shown insisted on an honest view.

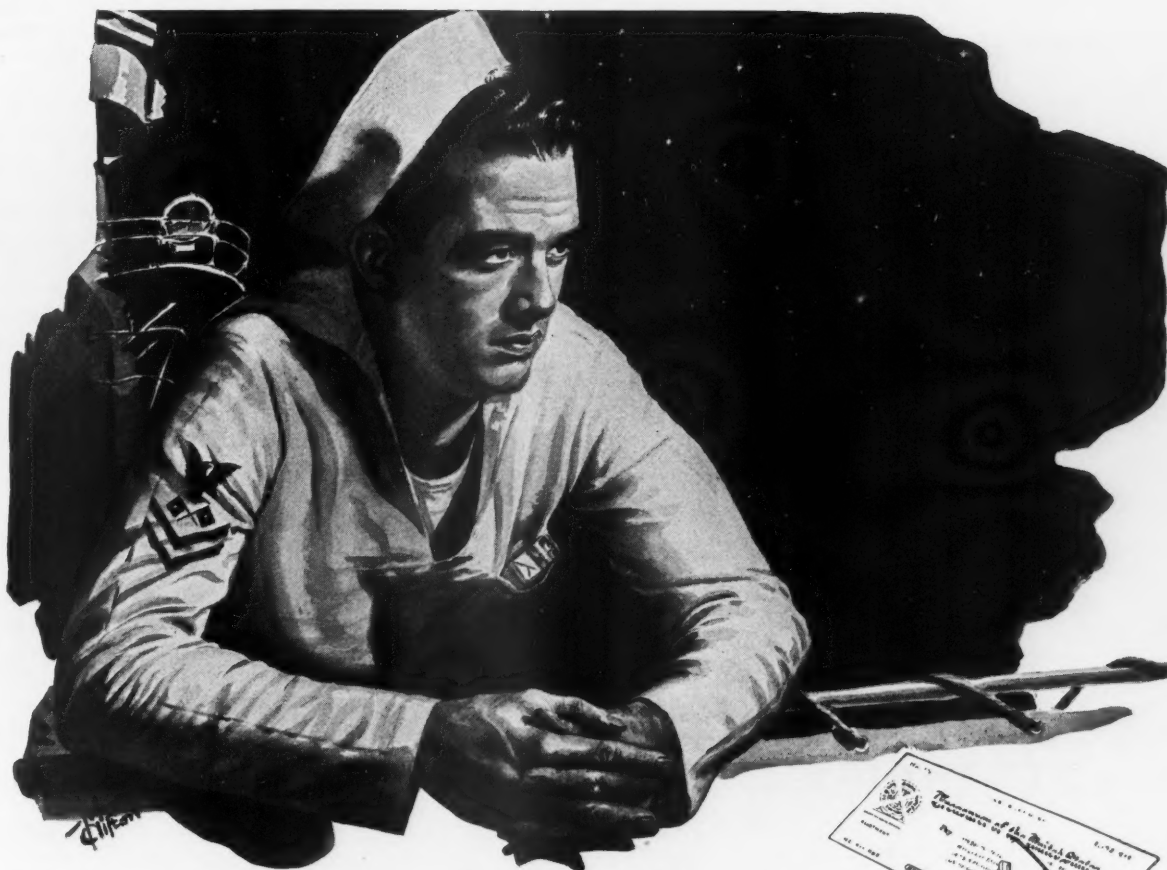
One brand of objection represents individualism in a more definitely business setting. There is a prevalent objection that whatever the Government subsidizes it controls. The objection would make better sense in times of peace. At present, the Government is expected to exercise the controls that are necessary to win the war. The subsidy proposal is a proposal to induce action on the monetary basis, with due regard for costs and profit sufficient to justify delivery.

Other Objections

It is alleged by some that the higher-cost increments cannot be practically identified and that, therefore, it is impractical to restrict subsidy to these higher-cost increments. Actually, producers are continually making decisions to increase, to sustain, or to decrease production by actions affecting specified productive units, such as plants, machines, mines, oil wells, farm tracts, dairy cows, brood sows, or fishing boats, or affecting the number of shifts at a given plant or machine, or affecting the number of workers on a given shift.

In other words, typical business actions, if they are not to be called random, must be assumed to stem from knowledge sufficient for decisions about higher-cost parts of the output. Producers, making like decisions, could agree or decline to offer additional output in return for prevailing price plus assured subsidy on the increment. And there appears to be no clear reason for supposing that there need be any greater discrepancy between cost and total realization on the increment than there would be between cost and price without subsidy.

There is also an objection that price



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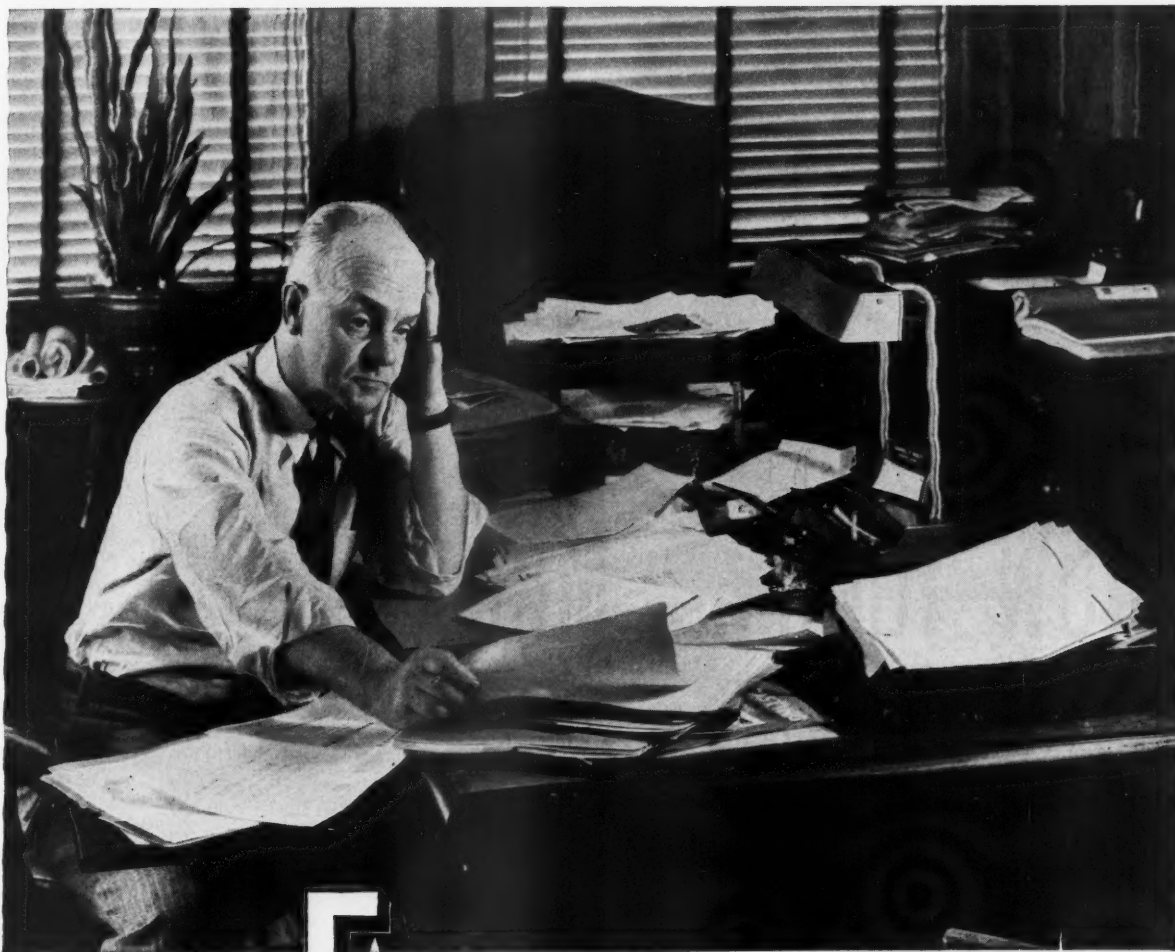
control with selective subsidy at the higher-cost levels, in preventing extra profits on goods of lower cost, puts a penalty on efficiency, a premium on inefficiency. No one can deny that some producers are more efficient than others. Likewise, one cannot deny that there are other very important factors of difference in cost which even efficient managers can change only in part and slowly. Observe differences in the richness of owned or accessible natural resources; varied effects of technological changes, viewed in relation to existing commitments and in relation to patent rights; varied effects of geographic shifts of market, in relation to the heavy impediment of past commitments; great regional inequalities in the impacts of changing labor cost, in terms of community differences in both growth of demand for labor and development of unions. The obvious test of circumstances is that the same management, though highly efficient, may make money at one plant and have to close down another as a dead loss. The obvious survival of the less efficient indicates the limited magic of the efficient.

Objection Is Weak

But even if lower costs should be attributed largely to greater efficiency, this objection that efficiency would be penalized would stand on a weak leg. Price controls were not instituted until, in general, prices were high and volume large. The subsidy proposals, even with price roll-back, are aimed at only some small fraction of total price and some relatively small increment of the total supply. That is, the alleged penalty, even if true, would, at its worst, relate to only the additional profit advantage that might otherwise accrue on the increase of supply.

Although not always so intended, this objection is in effect an argument that all producers should get as much under price control as they would without it. It is, therefore, equal to a plea for abolition of price control. Unfortunately, it does not provide for abolishing the war. Since the ordinary freedom to adjust supply to price has been temporarily blocked by enemy actions, requirements of our allies, and requirements of our own war program, abolition of price controls during the war would be economic nonsense and ethical outrage.

Certainly many effective price controls are needed; and, with respect to some of the weak spots, use of subsidy has merits in avoiding an inflationary trend.



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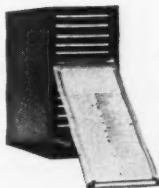
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WHOLESALE TRADE UNDER A WAR ECONOMY

(Continued from page 14)

eries were placed on a preference basis, according to the ultimate use of material. Included in the provisions was a limitation on the replenishment of retail stocks. Order M-234, issued in September, provided for the allocation of Douglas fir logs and authorized the WPB to direct mills in the cutting of lumber from the logs. Finally, in October, limitation order L-218 provided for the complete control of Douglas fir lumber of No. 2 and higher grades; deliveries could be made only to Army engineers as the Central Procurement Agency, or at the direction of this agency or the War Production Board.

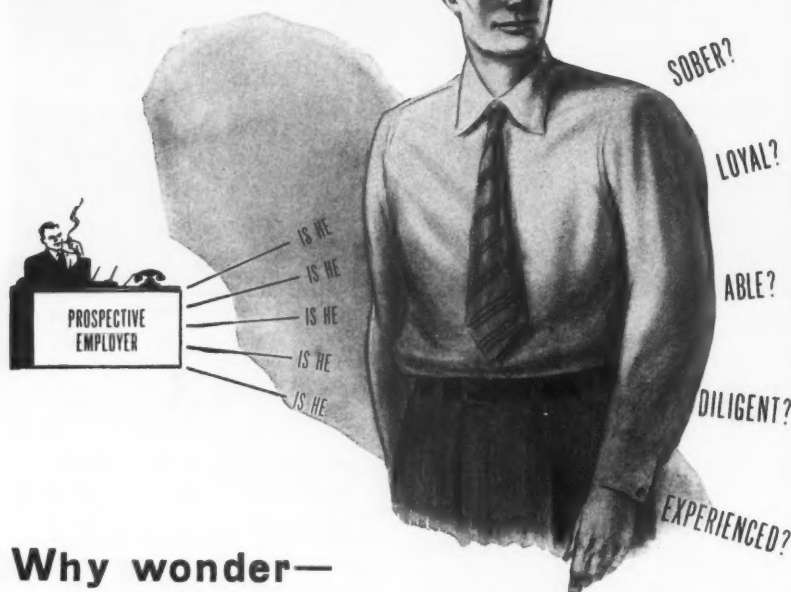
In other words, the lack of merchandise and not the lack of potential orders, was the fundamental reason for decreased net sales in 1942 for every wholesale line that handled a smaller volume of business.

Liquidation in Receivables—No single ratio shows the uniform impact of our war economy upon business quite as much as the average collection periods for 1942. The median collection period for each one of the twenty-four wholesale lines was lower in 1942 than in 1941. In other words, the accounts and notes receivables were smaller, and customers were paying their obligations with less lapse in time. Credits were easy and were being liquidated in improved fashion. Money is flowing through trade with unprecedented carefreeness.

Smaller Investment in Fixed Assets—Twenty-three of the twenty-four trades show smaller median ratios of "fixed assets to tangible net worth." The one exception, and it is a very nominal exception, is in the case of the wholesalers of men's furnishings. The explanation of this exception is that such wholesalers have only a nominal investment in fixed assets and that renovations of individual concerns could easily be made within the restriction order, L-41, of the War Production Board. Apparently a reasonable number of concerns made such renovations where materials could be obtained.

The restrictions on construction or renovations which were put into effect by limitation order L-41 by the War Production Board on April 9, 1942 and the shortages of materials for renova-

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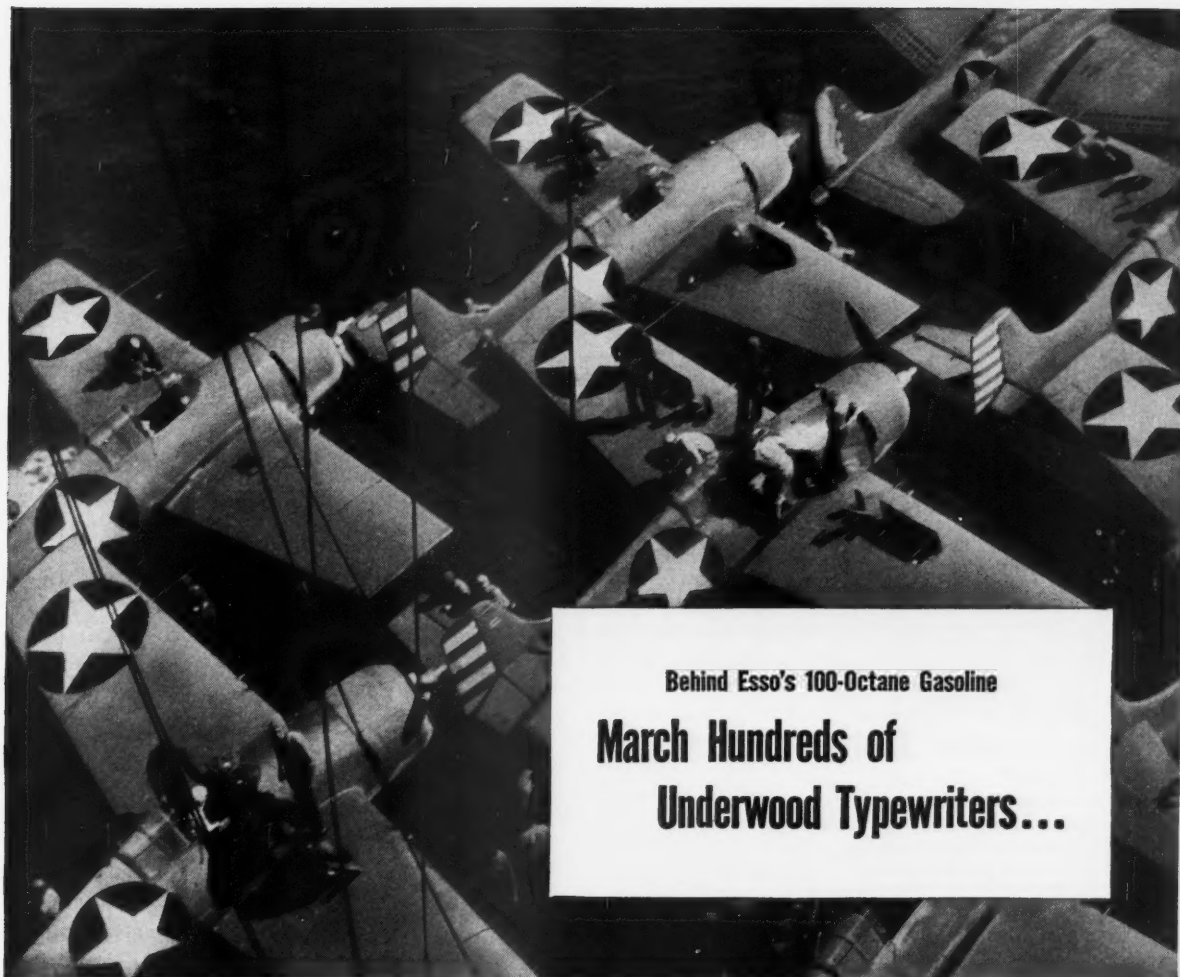
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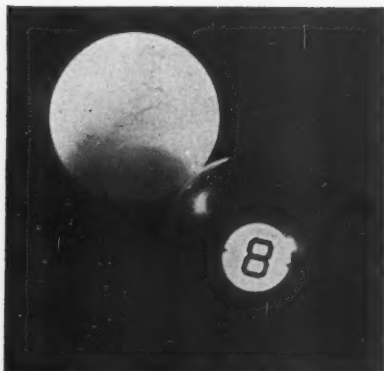
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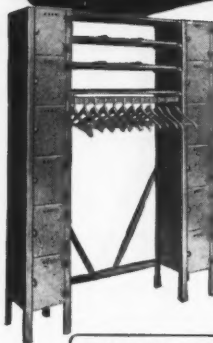
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tions kept expenditures for fixed assets in wholesaling trades to nominal amounts just as in the case of the retailing trades.

Decrease in Inventories—Twenty-two of the wholesale trades showed higher ratios of "inventory to net working capital" in 1941 than in 1940. This trend was reversed in 1942 as merchandise began to get tight. Twenty trades disclosed lower median ratios between these two items in 1942.

Wholesalers of fresh fruits and vegetables, and of woolen and worsted piece goods, were the two exceptions to the almost uniform upward trend of this ratio in 1941. Wholesalers of drugs and drug sundries, of fresh fruits and vegetables, of paper, and of womenswear—coats, suits and dresses, were the four exceptions to the downward trend in 1942. A steadily increasing proportion of most consumer goods products went to the armed forces in each month of last year. This fact combined with the extensive conversion of plants to war production left smaller quantities available for home trade.

With lower inventories in twenty divisions and higher net sales in sixteen, it would be natural to expect somewhat higher ratios of net sales to inventory. Twenty-two lines show higher ratios in this field. The two lines with smaller ratios of inventory to net sales in 1942 were wholesalers of cigars, cigarettes, and tobacco, with a very nominal decrease, and of paints and varnishes, with quite a material decrease.

Decrease in Current Liabilities—With smaller inventories and smaller receivables, one would expect a decrease in current liabilities. Ten of the twelve retail lines studied last month showed lower median ratios of current debt to tangible net worth. Twenty of the twenty-four wholesale trades show the same downward trend in liabilities. In several lines the difference between 1941 and 1942 was very marked. Among the divisions with the greatest change in the median ratio were wholesalers of electrical parts and supplies, with a drop from 82.3 per cent in 1941 to 36.7 per cent in 1942; wholesalers of butter, eggs, and cheese, with a drop from 89.7 per cent to 48.5 per cent; and wholesalers of plumbing and heating supplies, with a drop from 48.9 per cent to 25.3 per cent.

The four exceptions, that is, the lines with increased median ratios of current debt to tangible net worth were wholesalers of fresh fruits and vegetables, of gasoline and lubricating oils, of meat and poultry, and of womenswear—coats, suits, and dresses.

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Moore & House	Rest	H 4
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Names are fictional and are used for display purposes only.

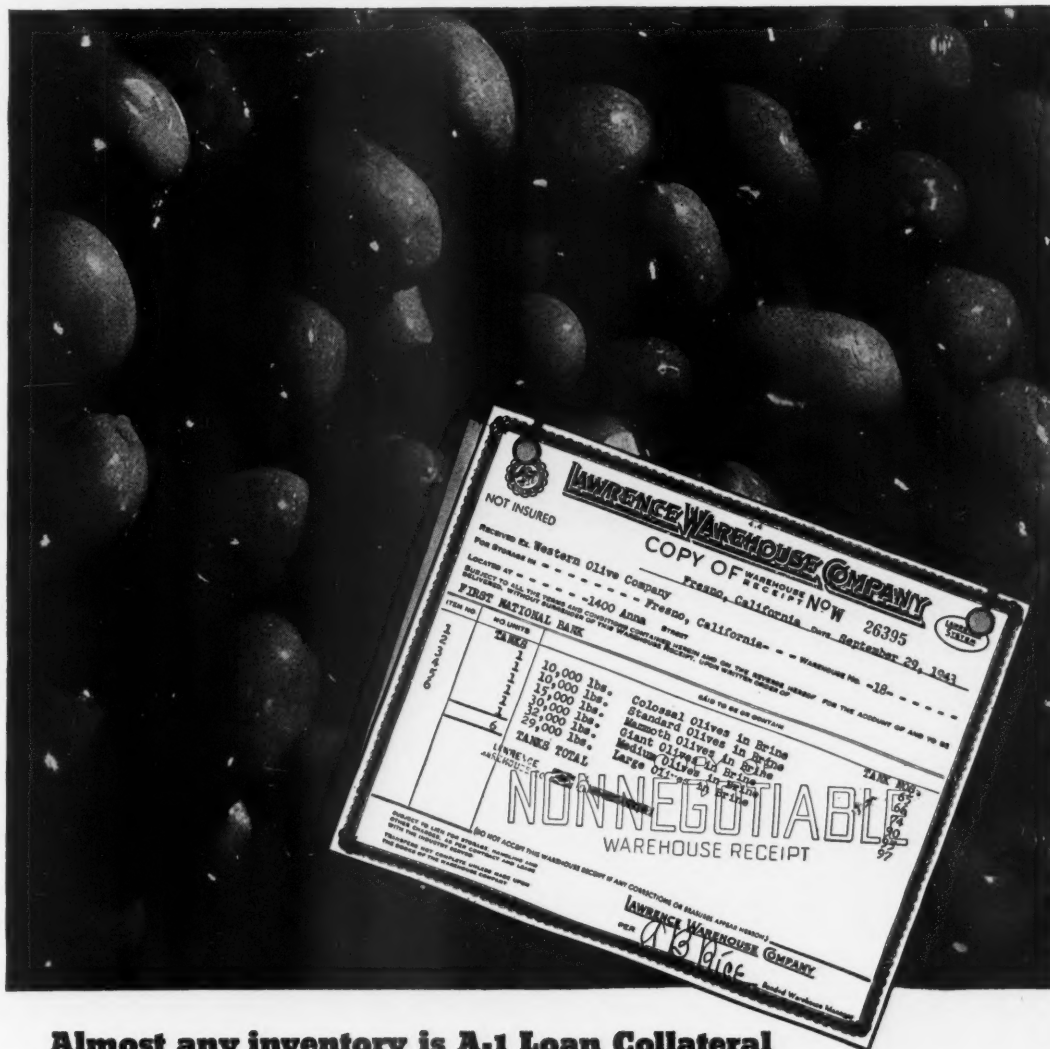
—here is part of the picture of a business community based on its manufacturers, wholesalers, and retailers, as they appear in the State Pocket Book, published every July and January. Enterprises are identified by line, and trade, and classified by purchasing power. Sales managers and marketing specialists find it easy to visualize the local trading areas with the help of the current pocket edition, which reflects the rapid shifts in sales territories.

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WAGE RATES and PRICES

THE newest old suggestion is that wage rates should be adjusted automatically to changes in the cost of living, following more or less the procedure used in Canada. The use of such a formula might eliminate a substantial amount of labor friction, but it must not be regarded as providing any assurance against inflation.

In the whole price and income area there are two classes of problems. The first has to do with the general level of prices, that is, the value of money. The second has to do with the relationship among various types and classes of prices within the price structure, such as commodity prices and wage rates, raw material and finished goods prices, and wholesale and retail prices. Tying wage rates and commodity prices together deals primarily with a problem of the second type. In fact, from the point of generally holding the line, it reduces by one the point at which pressure can be applied. Price control, increased taxation, and individual purchase of Government bonds, must still remain the major weapon in the battle against inflation.

Willard L. Thorp.
E D I T O R

